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HEARINGS
BEFORE THE
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS
OF THE
COMMITTEE ON FOREIGN AFFAIRS
HOUSE OF REPRESENTATIVES
NINETY-SIXTH CONGRESS
SECOND SESSION

JUNE 17 AND 26, 1980

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UNITED STATES-CANADIAN RELATIONS: PROBLEMS AND PERSPECTIVES

TUESDAY, JUNE 17, 1980

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS,
Washington, D.C.

The subcommittee met at 2:05 p.m. in room 2255 of the Rayburn House Office Building, Hon. Gus Yatron (chairman of the subcommittee) presiding.

Mr. YATRON. Good afternoon. The subcommittee will come to order.

In recent months the subcommittee has had its attention focused on tense, dynamic hemispheric situations such as in Nicaragua, Central America, and the Caribbean. Today, however, we are meeting to review the closest, most cooperative relationship the United States enjoys with any country, our neighbor to the north, Canada.

While Canada is our largest trading and investment partner and our relations are excellent, there is still a wide range of issues of mutual concern which deserve the undivided attention of U.S. policymakers and Congress.

Virtually all bilateral issues—be they environment, trade, energy, investment, defense or fisheries—have a direct impact on the people of our countries. It is our hope that through this hearing we may provide some background and insights into our relations with Canada for Members of Congress when the various proposals and agreements are brought to a vote.

Our witness today is Mrs. Sharon E. Ahmad, Deputy Assistant Secretary of State for European Affairs.

Mrs. Ahmad, if you would like to summarize your statement, the entire text will appear in the record and it will allow us to proceed with questioning. We say welcome to you today.

Also, I would like to say for the record that Mrs. Ahmad has with her Mr. Wingate Lloyd, Director of the Office of Canadian Affairs, Department of State.

Mrs. Ahmad.

STATEMENT OF SHARON E. AHMAD, DEPUTY ASSISTANT SECRETARY OF STATE FOR EUROPEAN AFFAIRS

Mrs. AHMAD. Thank you, Mr. Chairman. I will summarize my statement since you have the full text, if I may.

Mr. YATRON. Without objection.

Mrs. AHMAD. I welcome the opportunity to appear before you today to review with you both the nature and the current state of United States relations with Canada. The involvement of the United States with Canada, as you know, over a broad range of areas—political, economic, cultural, commercial, defense, and so forth—is greater than with any other single foreign country.

All of this involvement between our two countries on multilateral issues, and also on a wide range of bilateral matters, frequently leads to the need for cooperation, consultation, and negotiation at many levels of government, federal, provincial, and local sometimes.

The success or failure of this cooperation has a significant impact on our bilateral relations. In fact, our bilateral relations are often directly affected by the state of our cooperation on specific matters of interest to us.

With this general background, I would like to say a few words about the current situation in Canada and the current state of our relations. As you know, the Liberal Party of Prime Minister Trudeau currently governs Canada, having won a majority of 12 in the House of Commons as a result of elections in February.

With this majority, the Liberals will probably be in power for 4 to 5 years.

More recently, the most important event on the domestic political scene in Canada has been the May 20 referendum in Quebec. Canada, as you know, has a heritage of two distinct founding cultures which has no parallel in this country. For many years there has been substantial attention given to what the relationship between those two cultures should be.

The referendum was on a proposal by the Quebec Premier, Rene Levesque, to negotiate with Ottawa a new relationship termed "sovereignty association." That proposal was defeated by nearly 60 percent. With the decision in Quebec, the people of Canada now are turning their renewed efforts to resolving their constitutional differences.

Prime Minister Trudeau met with the the Provincial Premiers on June 9 and agreed to an intensive series of constitutional negotiations over the summer, culminating in a Federal Provincial formal meeting September 8-12 to revise the country's Federal structure.

Mr. Trudeau has said that failure to reach substantial agreement in the September talks would be a disaster for Canada. We recognize that while we hope Canada will remain united and strong, these questions are internal ones which Canadians must decide without outside interference.

With respect to our relations, they are now in excellent shape. The differences that did prevail between us during the Vietnam era have been put aside and our relationship can properly be characterized as warm and cordial.

Canada has been strongly supportive of the United States on a wide variety of global issues. Canada gave strong support on Iran and Afghanistan from the beginning of the crisis in Southwest Asia and took the lead in the boycott of the Moscow Olympics.

Canada agreed in January to support the U.S. partial grain embargo against the Soviet Union, and, of course, Americans will never forget the bravery of the Canadians who protected and aided in the escape of our six Americans from Tehran in January.

Canada has also implemented from the start informal financial restrictions on trade with Iran, in concert with our major European allies and Japan. I repeat, Mr. Chairman, on these kinds of global issues, Canada and the United States are working very closely together and relations are certainly excellent.

Let me turn now to some of the current specific issues involved in United States-Canadian relations, and I should emphasize "some" because they are far more numerous than I have covered here. This is an area where the potential for unsettling our relations is greater and therefore bears close watching.

The first item I would like to address is the east coast maritime boundary and fisheries treaties issue. Last year the United States and Canada signed two treaties concerning the disputed boundary between the two countries in the Gulf of Maine and related issues involving mineral resources and fisheries.

Current United States-Canadian east coast maritime boundary differences have as their origin the extension of fisheries jurisdictions to 200 miles by both countries in 1977. The Fisheries Treaty covers fish stocks of mutual interest on the Atlantic coast and would assign percentage shares for each country for each stock covered.

The treaty provides for conciliation of disagreements, for ways of settling disputes through an arbiter. The Boundary Treaty provides for settlement of the boundary dispute by referral to a special chamber of the International Court of Justice.

There has been substantial opposition in the Senate to approval of these treaties. Opponents have been critical of the permanent nature of the treaty, the division of shares of some species, and the provision for Canadian access to certain stocks off the U.S. coast.

We are in touch with the Senate, with representatives of fisheries and with Canada in an effort to work out an early and acceptable resolution of this important matter. Failure to do so, I must say, Mr. Chairman, would have a serious adverse effect on our bilateral relations with Canada.

Another important bilateral matter between us is the Alaska gas pipeline. In 1977 the United States and Canada agreed to foster the construction of a pipeline to bring Prudhoe Bay gas through Canada to the U.S. market. Most of the regulatory procedures have been completed, and early agreement on financing of this \$23 billion project has become critical to there being progress.

From the outset, Canada has been concerned that financing the technically complex Alaska segment might prove difficult, leaving Canada in the position of having authorized increased exports of Canadian gas to the United States to facilitate a pipeline for Alaskan gas that might never be built.

Accordingly, Canada seeks assurances that the entire line would be built before it will authorize additional gas exports, and we are working with Canada to find a formula for the assurances Canada seeks.

We are optimistic the remaining issues can be resolved in the near future. This is a \$23 billion project and a matter of important concern to both countries, particularly to the United States, and certainly one of the leading topics in our bilateral relationships.

A third area of substantial concern to people in both countries is a possible bilateral air quality agreement with Canada. Following a

request by our Congress in October 1978, the United States and Canada began consultations on the possibility of the negotiation of an air quality agreement.

One of the major concerns prompting the U.S. interest is the desire to control Canadian sources of air pollution near the U.S. border. On the Canadian side, a major motivation for concluding an air quality agreement is to combat acid rain.

The United States itself is also interested in combating the problem of acid rain, which, as you probably know, is caused by a combination of sulfur dioxide with oxygen and water vapor, producing mild sulfuric acid which returns to the Earth in the form of rain and snow as well.

We share Canada's concern about both air pollution and acid rain, and these are issues of vital importance to the people concerned in both countries, as well. We wish to move ahead to develop an air quality agreement, and we have under consideration with the Canadians mechanisms to aid both countries in arriving at that possibility.

Another major area of interest to the two countries is the United States-Canadian Automotive Agreement, something which has been with us for 15 years now. In 1965, the United States and Canada concluded an agreement which provides for duty-free trade in finished vehicles and original equipment parts in commerce between both countries.

Since that time, two-way trade has increased from \$700 million in 1964 to \$22 billion in 1979. This has resulted in substantial advantages for both countries in terms of investment, employment, and economies of scale.

For several years now, Canada has suffered a persistent deficit in its automotive trade with us. Last year's deficit came to a record high of \$2.5 billion. This has caused some Canadians to question whether Canada is receiving a fair share of the benefits under the agreement.

Canada has expressed the desire to consult on the state of the auto industry, including the operation of the Auto Pact, and we expect within the next few weeks the first of these formal consultations will take place.

In the area of defense we have very few differences with Canada. The North American Air Defense Agreement remains a key element in the United States-Canadian defense relationship. This was recently extended for 1 year in order to give the Canadian Standing Committee on External Affairs and Defense of the House of Commons a chance to consider the proposed renewal for a longer period.

The Canadian Government announced on April 10 its decision to purchase the McDonnell Douglas F-18A as Canada's new fighter aircraft to replace the existing fleet of obsolescent fighters. The number will be between 129 and 147, depending upon arrangements now under discussion concerning the possible waiver of certain costs incurred by the U.S. Government.

I have touched on only a handful of the major bilateral issues between us, of which these are perhaps the most important ones at the moment. They are illustrative of the many issues involved today in United States-Canadian bilateral relations; and if the subcommittee has any interest in any others, we would be pleased to take questions and answer them here if possible.

As I noted, United States-Canadian relations are close and friendly, and I see no reason to expect that our shared view of global issues will alter significantly in the foreseeable future. Bilaterally the same pri-

orities will continue: Energy, transborder pollution, maritime boundaries and fisheries, trade, and investment.

The close interdependence which exists between our two countries will inevitably bring some clashes of interest in these areas, and we must therefore vigorously seek ways to resolve these issues to the mutual satisfaction of both countries.

We must also recognize that in a relationship as extensive and complex as that which exists between the United States and Canada, there are real risks in drawing specific linkages between unrelated issues. Such a practice could give rise to a trade-off mentality that could greatly complicate our efforts to resolve individual issues.

It is not our Government's policy, therefore, to link unrelated issues in our ongoing discussions of our mutual interests with Canada. Our tradition of consultation, of prior notification on issues of importance to the other country, and a genuine consideration of each other's concerns are of the greatest value to us. It sets an important example for the world of how two free, dynamic, and complex societies can create a productive and cooperative relationship on the basis of mutual respect and consideration.

[Mrs. Ahmad's prepared statement follows:]

PREPARED STATEMENT OF SHARON E. AHMAD, DEPUTY ASSISTANT SECRETARY OF
STATE FOR EUROPEAN AFFAIRS

I welcome the opportunity to appear before you today to review with you the nature and current state of US relations with Canada.

The involvement of the United States with Canada over a broad range of areas -- political, economic, cultural, commercial and defense, etc. -- is greater than with any other foreign country.

In the political area, our governments work closely and harmoniously, both bilaterally and in international fora. As friends and allies we share the same goals of peace, freedom and the betterment of mankind's existence on the planet.

We are deeply involved with each other economically, as our people produce and exchange goods and services for our mutual benefit. More than one-fifth of our exports go to Canada, nearly twice that which goes to Japan, our next largest customer. US exports to Canada are greater than our exports to all the countries of the European Economic Community combined. A quarter of all US foreign investment is located in Canada, while the net flow of equity investment has now shifted and is now directed toward the US from Canada.

We are allies in NATO but our defense relations go well beyond those with other NATO allies, involving the 40-year-old Permanent Joint Board on Defense. Also, we have a unique military joint command, the North American Air Defense Command, and longstanding defense procurement relations.

Our people know each other well and share a common outlook on the world. Over 70 million people cross the US-Canada border annually. In addition to business and government travel, we vacation in the areas of each other's country that we find attractive. Our students attend each other's educational institutions in large numbers. We see many of the same films and television shows and read many of the same publications.

We share a common interest in a large part of our environment -- land, air and water -- and are both increasingly concerned about the maintenance and improvement of the quality of life, and the effects of our actions on each other's environment.

All of this involvement leads frequently to the need for cooperation, consultation and negotiation at many levels of federal, provincial and local government. The success or failure of this cooperation has a significant impact on our bilateral relations.

I think it is also useful to discuss some of the factors which affect how the relations between the two countries are perceived from each other's perspective.

The difference in size, on the order of 10 to 1 in terms of both population and economic strength, is a central fact. In addition, the distribution of the Canadian population should be noted. Canadians are concentrated along the US border, with 80% of Canadians living within 100 miles of the United States. As a result, Canadians are far more conscious of the relationship than are Americans, and our bilateral issues are usually national issues in Canada, while they more often are regional issues in the United States. Furthermore, there is an ambiguity in Canadian attitudes toward the United States. While Canadians are attracted to many elements of our culture and society and welcome their relationship with us, at the same time they are determined to maintain their own separate identity and not be overwhelmed by us.

With these general factors in mind, I would now like to say a few words about the current situation in Canada and the state of our relations. As you know, the Liberal Party of Prime Minister Trudeau currently governs Canada, having won a majority of 12 in the House of Commons in elections last February. With this majority, the Liberals will probably be in power for the next 4 to 5 years.

More recently, the most important event on the domestic political scene in Canada has been the May 20 referendum in Quebec. Canada has a heritage of two distinct founding cultures which has no parallel here. For many years there has been substantial attention given to what the relation between the two cultures should be. The referendum was on a proposal by Quebec Premier Rene Levesque to negotiate with Ottawa a new relationship termed "sovereignty-association". That proposal was defeated by a vote of nearly 60%. Levesque was opposed by the provincial Liberal Party, headed by Claude Ryan.

With the decision in Quebec, the people of Canada now are turning their renewed efforts to resolving their constitutional differences. Canadian provinces already have far more autonomy than do our states. Nevertheless, and for different reasons, the provinces are also interested in constitutional change. Prime Minister Trudeau met with the ten provincial Premiers on June 9 and agreed to an intensive series of constitutional negotiations over the summer, culminating in a federal-provincial formal meeting September 8-12 to revise the country's federal structure. Trudeau has said that failure to reach substantial agreement in the September talks would be "a disaster" for Canada.

Recognizing that the national unity issue is vital to the future of Canada, the United States has followed with interest the events taking place to the north. However, we recognize that while we hope Canada will remain united and strong, these

questions are internal issues which Canadians must decide without outside interference.

Canada has emerged as the world's seventh ranking industrial power. With regard to the current state of the Canadian economy, it is expected to grow in 1980 at less than 1%. Inflation will be held to about 10%, in part because Canada, as a net energy exporter, is insulated from increases in the costs of imported oil. Export industries will suffer as a result of an expected decrease in demand in the US. Unemployment should increase slightly, to about 8.5%. However, a deep recession in the US could change this outlook substantially for the worse.

Current US-Canadian relations are now in excellent shape. The differences which prevailed during the Vietnam era have been put aside and our relationship can properly be characterized as warm and cordial. As I mentioned earlier, the United States and Canada share a broad range of global interests, and are active in cooperating in pursuit of those interests throughout the world.

Canada has been strongly supportive of the US on a wide variety of global issues. Canada gave strong support on Iran and Afghanistan from the beginning of the crisis in Southwest Asia, and took the lead in the boycott of the Moscow Olympics. Canada agreed in January to support the US partial grain embargo against the Soviet Union, and not to replace US grain withheld from the USSR. Canada has held to 3.8 million

tons the amount of grain to be delivered to the Soviet Union during this Canadian crop year, which ends July 31. Americans will not forget the bravery of the Canadians who protected and aided in the escape of our six Americans from Tehran in January. Also, Canada implemented from the start informal financial restrictions on trade with Iran in concert with our major European allies and Japan. Canada attaches great importance to Allied unity and concerted action, and favors close consultation with the US and its other allies on the developing events in Southwest Asia.

As I indicated earlier, our joint inhabitation of this continent also involves us in a wide range of bilateral matters. Let me turn now to some of the current specific issues involved in US-Canadian relations, an area where the potential for unsettling our relations is greater, and therefore bears close watching.

East Coast Maritime Boundary and Fisheries Treaties

Last year the United States and Canada signed two treaties concerning the disputed boundary between the two countries in the Gulf of Maine and related issues involving mineral resources and fisheries. Current US-Canadian east coast maritime boundary differences have as their origin the extension of fisheries jurisdictions to 200 miles by both countries in 1977. The fisheries treaty covers fish stocks of mutual interest on the Atlantic coast including those in the disputed area. It would establish a US-Canada East Coast

Fisheries Commission for the management of many of the fish stocks, and would assign percentage shares to each country for each stock covered. In addition, the treaty provides for conciliation of disagreements and for ways of settling disputes through an arbitrator. The boundary treaty provides for settlement of the boundary dispute by referral to a special chamber of the International Court of Justice.

There has been substantial opposition in the Senate to approval of the treaties. Opponents have been critical of the permanent nature of the treaty, of the division of shares of some fish species, and of the treaty's provision for Canadian access to certain stocks off the US coast.

Recognizing that the treaties have encountered very substantial opposition, we are in touch with the Senate, with representatives of fishery interests and with Canada in an effort to work out an early and acceptable resolution of this important matter. Failure to do so would have a serious adverse effect on our bilateral relations.

Alaska Gas Pipeline

In 1977 the US and Canada agreed to foster the construction of a pipeline to bring Prudhoe Bay gas through Canada to the US market. Most of the regulatory procedures have been completed, and early agreement on financing this \$23 billion project has become critical to continued progress.

The US builder envisaged financing the southern legs of the pipeline (from Alberta to California and from Alberta to

the midwest) through the advance construction, or "prebuild" of facilities to carry increased Canadian gas exports. It was planned that transmission revenues would cover the construction costs.

From the outset Canada was concerned that financing the technically complex Alaska segment might prove difficult, leaving Canada in the position of having authorized increased exports of Canadian gas to the US to facilitate a pipeline for Alaskan gas that might never be built. Accordingly, Canada seeks assurances that the entire line will be built before it will authorize additional gas exports and the construction of the "prebuild" facilities.

We are working with Canada to find a formula for the assurances Canada seeks. We are optimistic that the remaining issues can be resolved in the near future, and that it will be possible to move ahead on authorizing construction of the "prebuild" facilities within a short time.

Bilateral Air Quality Agreement

Following a request by Congress in October 1978, the US and Canada began consultations on the negotiation of an air quality agreement. We have met several times and have agreed on principles which would be included in an agreement. At this juncture we are considering the next steps to be taken to accomplish the important objectives we share in this area.

One of the major concerns prompting US interest in an air quality agreement is the desire to control Canadian sources of

air pollution near the US border. Examples include the Poplar River plant just north of the Montana line, Atikokan near the Minnesota Boundary Waters Canoe Area and Nanticoke across Lake Erie from Cleveland. Air quality in Canada is under provincial rather than federal control, and Canadian provincial pollution controls are generally less stringent than US controls. There are, for example, no scrubbers required on coal-fired power plants or smelters in Canada.

On the Canadian side, a major motivation for concluding an air quality agreement in the US is to reduce acid rain. Also, the US is itself interested in combatting acid rain (Acid rain is caused by a combination of sulfur dioxide with oxygen and water vapor, producing a mild sulfuric acid which returns to the earth in rain.) Although a recent study indicates that Canada generates at least half its own acid rain, it is a fact that the US produces 5 times as much sulfur dioxide as Canada, much of which originates in the middle-western and northeastern states, which are generally upwind from eastern Canada. Also, some of the acid rain falling in the US originates in Canada. The geological make-up of eastern Canada and parts of the US are particularly vulnerable to acid rain pollution, which in certain cases kills aquatic life and may be harmful to crops and trees.

We share Canada's concern about transboundary air pollution and acid rain, issues of vital importance to the people concerned in both countries. We wish to move ahead to

develop an air quality agreement and have under consideration mechanisms to aid both countries in arriving at a workable agreement on this important problem.

US-Canadian Automotive Agreement

Until recent years the North American auto industry was unique. It was dominated by three manufactures of large cars to meet demand in North America. In Europe and Japan, production was principally of smaller cars, to satisfy demand in Europe and elsewhere. In recognition of Canada's interest in the North America auto industry particularly in the areas of trade, investment and employment, in 1965 the US and Canada concluded an agreement in this area. The agreement provides for duty-free trade in finished vehicles and original-equipment parts in commerce between both countries. Two-way trade has increased from \$700 million in 1964 to about \$22 billion in 1979. This has resulted in substantial advantages for both countries in terms of investment, employment and economies of scale.

For several years Canada has suffered a persistent deficit in its automotive trade with the US. Last year's deficit came to \$2.5 billion, a record high. This has caused some Canadians to question whether Canada is receiving a "fair share" of the benefits under the agreement. There is also concern in Canada that it may not benefit sufficiently from investment and R&D expenditures made by auto manufacturers to meet the increased demand for smaller cars.

In 1978 the Canadian federal government and the province of Ontario provided the Ford Motor Company a \$68 million incentive to encourage the company to locate a \$500 million plant in Ontario rather than Ohio. This brought a US effort to reach agreement with Canada on the use of investment incentives in the North American automotive sector. The US and Canadian Governments have consulted several times on mutual restraint on investment incentives. Canada has also expressed the desire to consult on the state of the auto industry, including operation of the Auto Pact. We expect that within the next few weeks the first of these formal consultations will take place.

Defense Issues

The US and Canada have few differences in the defense field. The North American Air Defense Agreement remains a key element in the US-Canadian defense relationship. Earlier this year we agreed to extend for one year the NORAD Agreement, to allow time for the Standing Committee on External Affairs and Defence of the House of Commons to consider issues involved in the NORAD Agreement. There is every reason to believe that the forthcoming negotiations will result in a new agreement for an extended period and a continuation of this longstanding close defense relationship.

The Canadian Government announced on April 10 its decision to purchase the McDonnell Douglas F-18A as Canada's new fighter aircraft to replace the existing fleet of obsolescent

fighters. The number of aircraft to be purchased will be between 129 and 137 depending on arrangements now under discussion concerning the possible waiver of certain costs incurred by the US Government. Delivery of the aircraft is scheduled to begin in the second half of 1982, and will continue until 1989.

* * * * *

The questions I have described are illustrative of the many issues which are involved today in US-Canadian bilateral relations. There are many more, and I would be happy to try to provide any additional details which members of this Subcommittee may wish.

As I have noted, US-Canadian relations are close and friendly. I see no reason to expect that our shared view of global issues will alter significantly in the foreseeable future. Bilaterally the same priorities will continue to apply: energy, transborder pollution control, maritime boundaries and fisheries and trade and investment. The close interdependence which exists between our two countries will inevitably bring clashes of interests. We must vigorously seek ways to resolve these issues to the mutual satisfaction of both countries.

While success or failure in dealing with individual problems is bound to have some broader impact on other issues, we must recognize that in a relationship as extensive and complex as exists between the US and Canada, there are real

risks in drawing specific linkages between unrelated issues. Such a practice can give rise to a trade-off mentality that could greatly complicate our efforts to resolve individual issues, and would not serve us well in the long run. Further, our two nations clearly have the capacity to help or hurt one another, and this fact dictates caution and restraint in our relations. Our tradition of consultation, of prior notification on issues of importance to the other country and of genuine consideration of each other's concerns is of greatest value to us. In most cases we are able to resolve our differences by meeting them head-on, but when we are unable to do so it is strongly in our interest to isolate and minimize the area of conflict involved.

US-Canadian relations are in good shape, and are carried on in an atmosphere of mutual confidence. Given the broad range of our two nations' interests, it is understandable that we are challenged by individual differences, particularly in the bilateral area. We must remain vigilant to ensure that our differences are managed in the perspective of our broader relationship. This is significant not only for the two countries involved, but it sets an important example for the world of how two free, dynamic and complex societies can create a productive and cooperative relationship on the basis of mutual respect and consideration.

Mr. YATRON. Thank you, Secretary Ahmad, for an excellent statement.

Do you anticipate any change in our relationship with Canada after the revision of the Federal structure?

Mrs. AHMAD. Of course, without knowing the nature of such a revision, I could not be specific or detailed in response to that question. Inasmuch as the Canadians are talking about a reordering of their Federal structure, we would assume we would continue to deal with a Federal Government in Ottawa and that our relations as a result of their internal changes would not have any changes in policy emphasis.

There may be different mechanisms by which we carry on specific pieces of business, but that would be more in the realm of machinery, I would expect.

Mr. YATRON. What likely changes do we anticipate in the Federal structure revision?

Mrs. AHMAD. Well, I don't think it is for us to really anticipate where they are going to come out. We know the kinds of questions they are addressing. They have an agreed agenda for constitutional reform which includes a statement of principles, a charter of rights, a dedication to sharing and/or equalization of the reduction of regional disparities, repatriation of the constitution, resource ownership and interprovincial trade, offshore resources, fisheries, powers affecting the economy, communications—including broadcasting, family law, a new Upper House involving the Provinces, and a Supreme Court. This is an agenda.

Mr. STUDDS. Are they creating a Senate for themselves?

Mrs. AHMAD. They have a Senate. Now it would be a new Upper House.

Mr. STUDDS. We could have warned them about that.

[General laughter.]

Mrs. AHMAD. Well, these are the questions they had agreed to address, and it is really not possible for me to predict how they would come out. We would anticipate continued good relations with Canada. Clearly, some of these areas are areas where we do a lot of business with each other, and how they structure their approach to it, of course, will have some effect on how we deal with them.

Mr. YATRON. Although you mentioned the risks of drawing linkages between unrelated issues, would you comment on trading off the U.S. tax prohibition on foreign conventions for Canadian advertising tax exemptions?

Mrs. AHMAD. Well, Mr. Chairman, as you know, that is a linkage which has been proposed here in the House by certain Members of Congress. It has not been a linkage proposed by the U.S. administration. I would repeat what I said in my general statement. There is a great risk in linking unrelated issues.

The proponents of this measure would probably argue that they are not totally unrelated. The President has before him or will have before him the need to decide on a 301 case under the trade legislation, and one of the requests of the petitioners is to have this linkage. So, of course the President will have to address that question.

Mr. YATRON. How close are we to a solution on the border broadcasting restrictions?

Mrs. AHMAD. Well, Mr. Chairman, I wish I could say we are very close, but I do not honestly believe that we are. There is substantial concern on the part of our broadcasters with the Canadian measure, which, as you know, does not allow Canadian taxpayers to deduct as business expenses the advertising placed on foreign broadcasting stations, which, of course, has an effect on a number of stations along the United States-Canadian border.

This has been on the books for some time. It has been motivated in Canada by a desire to support its own broadcasting industry. The United States and Canadian Governments have discussed the issue on a number of occasions and have suggested that the broadcasters also talk to each other and see if they can recommend to governments a solution.

I am not able to say at this time that we have a solution in sight.

Mr. YATRON. My colleague to the right wanted to know who is going to win the fight between Leonard and Duran in Canada.

[General laughter.]

Mrs. AHMAD. I don't know the answer to that question.

Mr. YATRON. We are going to have a series of rollcalls very soon. I will call on my colleague, Mr. Studds, who may have a question at this time.

Mr. STUDDS. Thank you, Mr. Chairman.

First of all, I notice that Canada is still in the Bureau of European Affairs, is that right?

Mrs. AHMAD. That is correct.

Mr. STUDDS. I don't suppose we should bother ourselves with the annual explanation for this.

Mrs. AHMAD. I don't know. If you wish to be bothered, I would be happy to give you an explanation.

Mr. STUDDS. That is all right. I just observe that. I don't know if it is in anyone else's Bureau of European Affairs, probably just ours.

Mrs. AHMAD. In discussions with diplomats one encounters from time to time, if you get into how their departments are organized, they lump us with the Japanese and all sorts of interesting things.

Mr. STUDDS. That is why Turkey is in the North Atlantic. I understand there are very strange things that happen. I am sure, as you know, my principal concern right now is with the east coast fisheries treaties.

I am delighted to see your disavowal, at the end, of linkage. Some of the most recent publicity, particularly in the last few days, as you know, particularly emanating from the Canadians, but not just the Canadian side, has at least suggested that there is a linkage between some kind of obligation on the part of this country to ratify those treaties and the other important outstanding issues between the countries.

I think you are right in disavowing that as a general proposition, and I am delighted to hear that is still the administration's policy. We don't have much time now, and I will not ask you to defend or explain how in the world our negotiators managed to come away with a treaty which I think is as lopsided as that.

I am saddened to see the importance the Canadians apparently attach to the efforts to get that ratified in the U.S. Senate. Apparently someone has not explained to Canada why that treaty is on its face unacceptable to this country. I notice the person who has negotiated it has been rewarded by being named White House counsel.

I don't know what that bodes for the President at this point, but as you know, we have a boundary dispute which is the source of the problem there. The two Nations have a different way of drawing the line between the economic zones in the area of George's Bank, which is probably the richest fishing grounds on the face of the Earth. Logically, we negotiated a treaty which calls for international arbitration of the boundary dispute.

That is fine, and I think everyone in both Nations supports that. What I don't understand and wish you could explain to me is the logic behind an agreement pending international arbitration of an outstanding boundary dispute which is anything other than interim in nature.

As you know, the treaties provide for a permanent allocation to Canada of access to fisheries and management decisionmaking in fisheries that, given many possible outcomes of the arbitration, may be indisputably American. Yet, this treaty guarantees in perpetuity Canadian access to and management over stocks which may very well turn out in a matter of a few years to be indisputably American with no such possible Canadian claim.

How do you justify a treaty with that kind of a permanent aspect pending an interim resolution of the boundary dispute?

Mrs. AHMAD. Mr. Studds, you started by saying you wouldn't ask me to defend the treaty. I will say the treaty as negotiated by both sides was considered by both Governments to be fair and balanced.

Mr. STUDDS. That is what bothers me.

Mrs. AHMAD. The disadvantages of perpetuity can cut both ways if there are disadvantages.

Mr. STUDDS. No. Excuse me. In that treaty they do not. There is no analogous guarantee for the Americans in the event we prevail in the dispute. It is tilted one way alone.

Mrs. AHMAD. I was speaking with respect to the other aspects of the treaty itself, the management of stocks and the fishing rights in the undisputed areas, as well as—

Mr. STUDDS. There is no balance.

Mrs. AHMAD. In any case, it also has a provision, as you know, for revision periodically every 10 years.

Mr. STUDDS. Yes. Every 10 years, 10 percent with a maximum reduction. What I am talking about is the "in perpetuity" feature of it.

Mrs. AHMAD. I recognized that. I believe my lengthier statement, if not my shorter summary, acknowledges this is one of the things which has caused criticism.

Mr. STUDDS. Because of the time, I apologize. I know it is frustrating to you, too. On page 7 you say that recognizing we have encountered substantial opposition, we are in touch with the Senate, with representatives of fishery interests and with Canada in an effort to work out a resolution on this matter.

Am I to infer from that that there is a possibility the administration may support some amendments to the treaty in the Senate?

Mrs. AHMAD. I couldn't go beyond my statement. It is correct to say we are in touch with how we can work our way through this problem. We do support the treaties as negotiated.

Mr. STUDDS. There is always the hope the new Secretary of State will bring a broader understanding of this issue, I assume, than has characterized the Department in the past.

Mrs. AHMAD. Let me say the new Secretary of State has a keen interest in the subject.

Mr. STUDDS. I am glad to hear that.

[General laughter.]

Mr. STUDDS. Thank you.

Thank you, Mr. Chairman.

Mr. YATRON. Secretary Ahmad, I would like to respectfully request that we take a recess for about 20 or 25 minutes because there is a series of votes on the floor. We will return shortly.

[Brief recess.]

Mr. YATRON. The subcommittee will resume the hearing.

Secretary Ahmad, along the same lines we were discussing, Canada has offered to waive any "Buy Canada" preferences with respect to federally funded programs affecting trains, subways, and buses if we will waive the "Buy American" preferences under the Surface Transportation Act and Amtrak funding.

Would you care to comment?

Mrs. AHMAD. Yes; I could address that briefly in a general way. Discussions are going on between the two Governments on this subject. The Canadian Government has expressed concern with the "Buy American" provisions of the Surface Transportation Assistance Act, and we did agree to discuss the question with them.

Various suggestions such as the one you mentioned have been entertained, and it is my understanding that the discussions are ongoing. There is, of course, an objective on both sides to make sure that whatever trade-off is under consideration is a balanced one and the actual benefits to both sides would be the same.

I am not at all sure that in that instance they are, but this kind of discussion is going on, yes.

Mr. YATRON. What will be the implications for American investors in the event Canada implements Prime Minister Trudeau's plan to empower the Foreign Investment Review Agency to examine the activities of foreign-controlled enterprises?

Mrs. AHMAD. As you probably know, this agency has been in existence for some time, and it is correct that during the election campaign and other public statements, the current Government of Canada indicated increased consideration to this area and this tool. Canada's area of concern is the degree of foreign ownership and investment in Canada.

We have as yet not seen enough in the way of explicit steps that this Government would take in carrying out those objectives to be able to say with certainty how concerned we are; but we are concerned because it is clearly an area of direct concern to our investors in Canada. The ones who are already there particularly went there under expectations that the arrangements available to them at the time would be there.

We and Canada both are adherents to an OECD code which makes a commitment not to change the rules after the investment is made. With respect to new ones, of course, that is a different situation. But so far we have not seen very many specific instances of action by this agency since the change of government, so we are not able to evaluate the impact it might have.

Mr. YATRON. What is the status of the Quebec expropriation of General Dynamics Asbestos Corp.?

Mrs. AHMAD. I am not up to date on that issue. As I recall, there was a court action that was thrown out; therefore, where it stands

now I don't know. I think we would have to take that question and reply back to you.

[The material referred to follows:]

POSSIBLE EXPROPRIATION OF THE ASBESTOS CORP.

The Parti Quebecois has long held that the Government of Quebec should play a more active role in the asbestos industry. In late 1977, Quebec informed General Dynamics that it intended to buy the company's 55 percent interest in the Asbestos Corp. Opposition parties in Quebec objected to the proposed takeover on the grounds that it is economically unwise for the government to become more involved in the troubled asbestos industry, and that such a takeover would cost far more than it is worth in terms of jobs and other economic benefits. Nonetheless, in June 1979 the Quebec government passed a bill in the Provincial Assembly which gives it the authority to expropriate the Asbestos Corp. should efforts for a negotiated settlement fail.

Negotiations between Quebec and the company foundered over price. In an effort to stall action under the expropriation law, General Dynamics obtained a Quebec Superior Court injunction in December 1979 preventing Quebec from taking action until the court had ruled on the constitutionality of the expropriation bill.

Mr. YATRON. Yes, if you could please reply to us on that. I understand the Canadians are concerned with the financing of the Alaskan portion of the natural gas pipeline. Would you provide some details on how that section of the pipeline is to be financed and the assurances that they seek?¹

Mrs. AHMAD. I am afraid I cannot give you very explicit details because the matter of assurances is under discussion. I believe there is Canadian legislation now which requires the financing be assured, and the project is still, of course, in the early development stages, and the private parties involved have been having discussions with each other with respect to the preparatory phase.

But they have not and are not now in a position to be putting together an actual financing package, as I understand it, for the construction itself. I think there is some understanding of that on the part of people in Canada, and it is critical, from their point of view, to get started on the earlier segments to be built in Canada.

We are talking both at the private party level and the Government level. The Department of Energy has the primary responsibility for us. The assurances the U.S. Government can give clearly are different than what private parties can do and what Canada ultimately decides it needs in the way of degree of assurances.

It is for them to decide. There has been a substantial amount of recent communication on this subject. We can, perhaps, give you some more detail later if you are interested.

Mr. YATRON. That would be appreciated by the subcommittee. How do the Provincial air quality standards of Canada compare to our Federal regulations?

Mrs. AHMAD. As you have correctly identified, the Provinces have more power in this area than our States do here. We have far more Federal control. Their standards are not similar to ours. They do not have the same kind of requirements for new source emissions. They don't require scrubbers on new plants, for example, the way that we do.

They undoubtedly vary somewhat from Province to Province, and the Federal Government is in the position of handling this subject

¹ See appendix.

with us in coordination with the Provinces. I am sure that is one of the things they themselves will be looking at in the context of how we proceed to a bilateral international agreement where they can make a commitment similar to ours.

Mr. YATRON. Are they willing to improve their standards?

Mrs. AHMAD. Certainly. The people who are working this subject in both countries are looking to see how we can, in fact, improve the air pollution situation. If that requires a change in standards, it is something which neither of us has closed as a possibility.

Mr. YATRON. Would you care to comment further? I know you referred in your statement to the air quality agreements with respect to the acid rain problem.

Mrs. AHMAD. Yes. What we are proposing to do with Canada is to address the whole question of ambient air pollution, as well as the acid rain problem, with a view to negotiating an air quality agreement between the two countries.

As you probably know, we have a water quality agreement affecting the Great Lakes. That took several years to negotiate and sign and has subsequently been revised to reflect added information and experience.

We are in the very early stages with respect to air quality. It is much more difficult because it is harder to know the exact source of long-range transportation of pollution. It is hard to know where the acid rain is coming from. To be sure, you know what the effect is, what it is damaging, and to what extent, and so forth.

We are, as I said, proposing to address all of these issues together, and we have had several discussions with the Canadians. Last summer we issued a statement of principles that would govern our discussions and the ultimate agreement we would hope to negotiate.

We are right now talking with them further about how to establish mechanisms in more concrete detail to provide for what we expect to be a lengthy and complicated negotiation. And we have a domestic concern about acid rain. As you probably know, the President even has a committee to look at it. A good deal of the problem with respect to acid rain is knowing more about the phenomenon so you can then make judgments about what you are prepared to do about it and what, in fact, you need to do about it.

Mr. YATRON. I am interested in the footwear trade as I have many shoe manufacturers in my district. What progress has been made in our negotiations with Canada to amend their quotas or to provide other compensation?

Mrs. AHMAD. My recollection of that subject is that the Canadians did, of course, put quotas on in 1977, and we did have some discussions with them to see if something could be done to alleviate the impact on certain kinds of footwear. My recollection is something of that was done. But nevertheless, the quotas remain and they do affect us.

Our trade data show for 1978 and 1979 U.S. exporters have suffered losses of sales. We have had numerous discussions with the Canadians on this, and their concern about their footwear industry is such that I am, frankly, not optimistic that they are going to do anything substantial in that area.

So we are in the process of talking to them as trade policy people do about compensation in some other area. That won't, unfortunately, help the footwear manufacturers in your district.

Mr. YATRON. Could you outline for us our efforts to negotiate a tuna settlement, lift the embargo and prevent future boat seizures?

Mrs. AHMAD. Yes, indeed. As you will recall, this issue became a serious one in the latter part of last year, late summer, I guess it was. For a little bit of background, on tuna fishing off the west coast—this is off the west coast of the United States where the problem arose—the tuna do not go significantly into Canadian waters in large numbers at any time during the season.

They are a migratory species, and most of our fishing is off the United States, Mexico, and other places. Last year they did, however, go into Canadian waters, and the United States and Canadian laws on this are diametrically in opposition to one another. The United States views migratory species as not being within the purview of the laws of the coastal State, and Canadian law is the opposite.

Our law also allows our fishermen, if they do go in contrary to somebody else's policy or law, and if they are seized or penalized in any way, to be compensated by the U.S. Government. A number of vessels did go in. They were seized by the Canadians, who felt compelled to enforce their law. Then the tuna did leave and have not been back in the area since. So, since that time, it has not been an immediate problem of activity of that kind.

The court cases for those who were seized, I believe there were 19, have not been resolved. A constitutional question in Canada has been raised by the defense of the Americans who were seized. Their lawyers have raised constitutional questions.

In the meantime, we have recognized as governments that this is something that will not be resolved that way, and we have proposed to the Canadians we meet and discuss this issue with them to see if there is some way we can reach an amicable solution. They have agreed in principle, but a date has not been set.

Mr. YATRON. Would you review for us the various oil pipeline proposals for the northern tier States?

Mrs. AHMAD. I can review that for you generally. As you know, the northern tier States which used to rely comfortably on oil from Canadian midwestern sources have, in light of changing circumstances, had to look and see where oil supplies might come from as Canada more and more needs to keep that oil within its borders.

There were three major proposals made and considered last year. One was an all-land route down from Alaska to the northern tier States. Two came from the west coast, one all through U.S. territory and one partly through Canadian territory and partly through the U.S. territory.

The President was presented with these three alternatives. The all-Canadian one was far too uneconomic to be chosen, and the President then had before him the other two proposals. The situation at the moment is that the proponents—and these are all privately proposed lines—the proponents of the all-U.S. route have been told to go ahead and see what they can put together, and in particular, the financing, and they have 1 year in which to do this.

That year will be up in about 6 months, I believe, in November. If they have not been successful in doing so, presumably the alternative would be given more expeditious or serious consideration. My understanding is the proponents of both, in the meantime, would not be sitting idle; they would both be looking to see what the financing situation is.

There has been some expression of doubt that either one might be, because of the attractiveness of the west coast market for the Alaskan oil, and the smallness, relatively speaking, of the market in the northern tier. But that is by no means a firm conclusion. We are at this stage waiting to see what happens in the course of the remaining year available to the proponents of the all-U.S. line.

Mr. YATRON. With regard to the sale of nuclear fuel to India, what has been the Canadian position on our proposal for the sale?

Mrs. AHMAD. I am not sure I can answer that right now, sir.

Mr. YATRON. Perhaps you can provide it for the record at a future time.

Mrs. AHMAD. Yes; I will provide it for the record.

[The material referred to follows:]

NUCLEAR FUEL TO INDIA

The Government of Canada has not expressed an opinion to us with regard to the President's decision to supply nuclear fuel to the Tarapur reactors and to continued U.S. supplies of nuclear fuel to India. Following India's nuclear explosion in 1974, Canada terminated its own nuclear cooperation with India.

It should be noted that IAEA international safeguards apply to the U.S.-supplied fuel to the Tarapur reactors and to the Tarapur reactors themselves.

Mr. YATRON. What are the prospects for United States offshore drilling and oil exploration in the Beaufort Sea area?

Mrs. AHMAD. As you may know, the Canadian interests have been ahead of us in some of that drilling, but there is certainly a positive outlook for U.S. drillers. The difficulty of the area, even though clearly there is something there to be found, the conditions in that far north environment are such that it requires the use of very costly methods and equipment and so forth, so that it is more a judgment for the drilling companies.

But at the same time, both Governments are also concerned that whatever activity goes on up there, that due regard be given to the environmental considerations as well. We have had consultations with the Canadians on that. There are no governmental reasons that would dim the prospects for activity of this kind. Economics would be the determining factor.

Mr. YATRON. I have no further questions. I want to thank you very much for coming before the committee today. I want to apologize. You are competing also with King Hussein. That is where all of my members are.

Mrs. AHMAD. I bow.

[General laughter.]

Mr. YATRON. Some of the other members may have some questions they would like to submit to you in writing. If we may, we would send them to you for your written response.

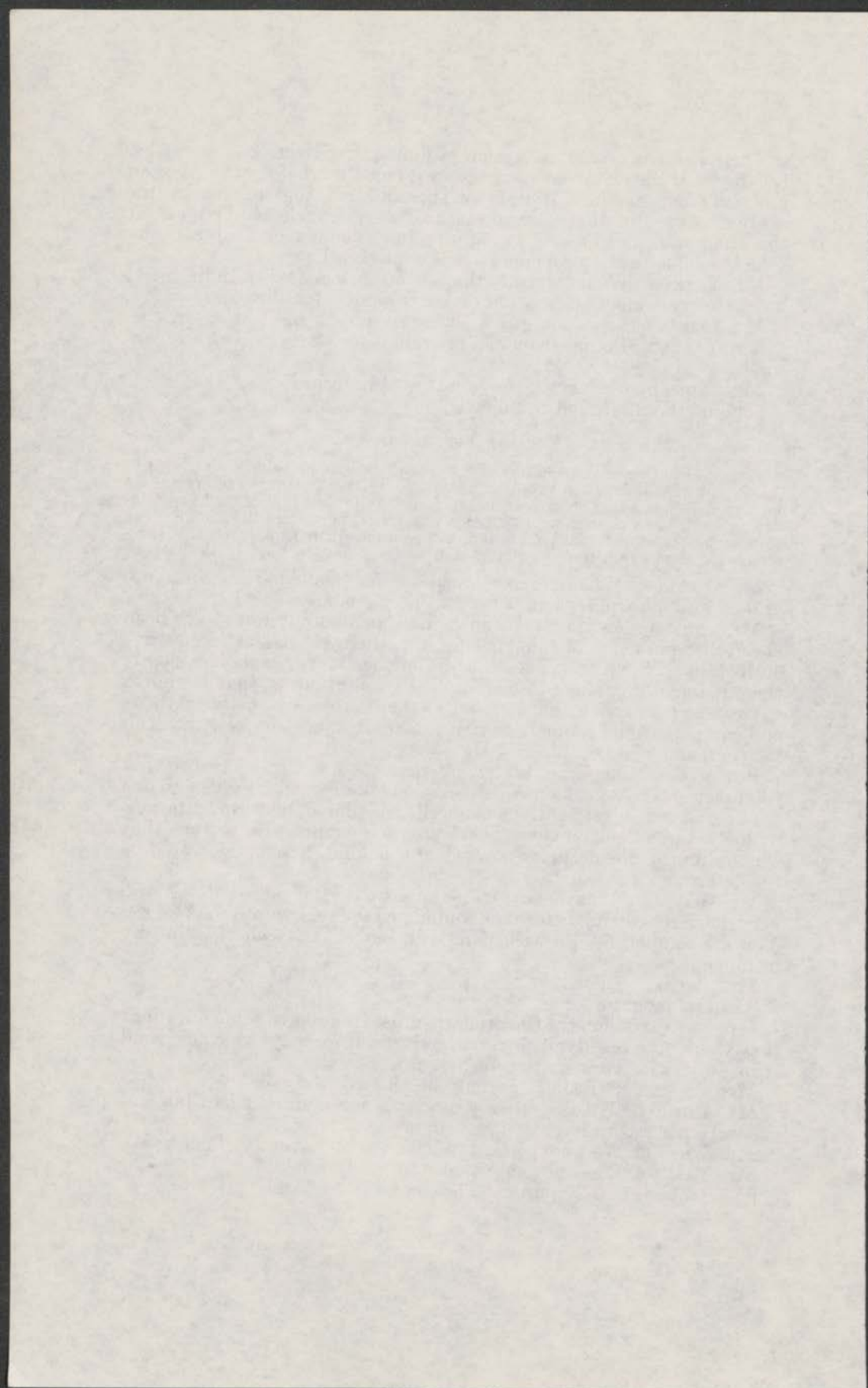
Mrs. AHMAD. Certainly. I would be pleased to do so.

Mr. YATRON. Thank you very much. You did an excellent job and we were pleased to have you here today.

Mrs. AHMAD. We were pleased to have the opportunity. Thank you.

Mr. YATRON. The subcommittee stands adjourned.

[Whereupon, at 3:20 p.m., the hearing was adjourned.]



UNITED STATES-MEXICAN RELATIONS: PROBLEMS AND PERSPECTIVES

THURSDAY, JUNE 26, 1980

HOUSE OF REPRESENTATIVES,
COMMITTEE ON FOREIGN AFFAIRS,
SUBCOMMITTEE ON INTER-AMERICAN AFFAIRS,
Washington, D.C.

The subcommittee convened at 2:10 p.m., in room 2200, Rayburn House Office Building, Hon. Gus Yatron (chairman of the subcommittee) presiding.

Mr. YATRON. Good afternoon.

The subcommittee will now come to order.

Last week the subcommittee examined our bilateral relations with Canada. Today, we are turning our attention to our southern neighbor, Mexico. Our relations with Mexico are stronger now than they have ever been. Our cooperation on a wide variety of bilateral issues which at times have been sensitive, has steadily improved.

While the all-important issue of energy dominates the spectrum of our relationship, the Mexicans also share our deep concern for reaching agreements in such areas as trade, border cooperation, pollution control, and immigration.

Since the strengthening of the Mexican-American consultative mechanism, substantial advances have been made in all these areas, and I am confident that we can anticipate further progress in the future.

Our witness today plays a most important role in conducting our negotiations with Mexico. I would like to welcome our distinguished former colleague from Texas, Ambassador-at-Large Robert Krueger, U.S. Coordinator for Mexican Affairs, Department of State.

Ambassador Krueger is accompanied by Mr. Everett E. Briggs, Director of the Office of Mexican Affairs, Bureau for Inter-American Affairs, Department of State.

Ambassador Krueger, if you would like to summarize your statement, the full text will be entered into the record and we can then proceed with questions.

The subcommittee welcomes you today, Ambassador Krueger.

STATEMENT OF AMBASSADOR AT LARGE ROBERT KRUEGER, U.S. COORDINATOR FOR MEXICAN AFFAIRS, DEPARTMENT OF STATE

Ambassador KRUEGER. Thank you very much, Mr. Chairman.

I appreciate the opportunity to be before this distinguished subcommittee, and would accept your invitation simply to summarize and to focus on a few particular items in our relationships with Mexico,

and then to answer your questions, or those of any others on the committee.

I also have seated by me, Robert Slaughter, my staff assistant. If I should have some questions, perhaps Mr. Slaughter and Mr. Briggs could address them.

Mr. YATRON. I would like to welcome Mr. Slaughter, also.

Ambassador KRUEGER. Mr. Chairman, as you recognized in your opening statement, the fact that we have a 2,000-mile border with Mexico makes it of particular importance to the United States. It is sometimes overlooked, I think, that there are more people each day legally crossing the United States/Mexican border than any other border anywhere in the world.

I think if a historian were to look back at the relationships between our two countries some 20, 30, or 40 years hence, instead of focusing on one or two phrases by Presidents, Senators, Ambassadors, and Governors, they would tend to focus on the fact that we have this extraordinary number of people peacefully, easily crossing each day.

We have a basic atmosphere of trust between the two countries. If we look at the volume of communication as it is reflected in trade, between 1977 and 1978, we saw a 30-percent increase in trade between the two countries. Last year there was a 46-percent increase. Looking at trade figures for this year—for example, this last April—we see that this April we have a 50-percent increase over April of last year. That is testimony, I believe, Mr. Chairman, to the understanding that exists between the two countries and to an ease of communication.

There are special frictions and tensions that can occur between our two countries, and some of these are historical. Mexico lost half of its territory to the United States. The State which I come from, and part of which I represented in Congress, was once a part of Mexico. Texas, New Mexico, Arizona, California, all, of course, were once part of Mexico.

There remains a very considerable difference in per capita income between the two countries. It has been said that perhaps no other two countries in the world which border one another have such a wide disparity in income as do the United States and Mexico, where the per capita difference is about 7 to 1. Our economy is roughly 20 times the size of theirs. Thus, everything we do has a profound effect on them.

At the same time Mexico, in part because of its tremendous energy discoveries, in part because of the stability and strength of its Government, looks forward to a very promising future. The Government of Mexico expects its economy to grow in real terms at 8 percent per year, after adjustments for inflation, for the next decade. If that is true, their economy will more than double in the next decade.

They are already the 11th largest nation in the entire world in terms of population, and their population is also increasing at a considerable clip. Mexico has just completed a census, and the results of that census are not yet in, but they are interested in viewing their own population growth, and seeing that they grow at a slower rate, if they can, than they have in times past.

We have, then, certain tensions that automatically exist between two nations that rub up against each other because there is always a chance in such circumstances for friction. There is also a chance for increased communication.

As one who has a small piece of land in east Texas, I recall what it was like when a man, whom I border up next to, and whom I seldom see—I looked over to his land recently, and I saw an oil well pumping there, and I thought that it was high time that I visited him, and reminded him of what good friends we had been all these years.

Sometimes, Mr. Chairman, Mexico feels a bit that way. They feel as though they, perhaps, did not receive any special attention from the United States until recently. Important as energy is, energy for the United States, it is even more important for Mexico.

Let me say categorically and unequivocally that the U.S. relationship with Mexico is vastly more important than anything that involves simply the fact of energy, because it is tremendously important to us to have a positive neighbor on our immediate border, one interested in the development of its people, one committed to representative government as Mexico is. That, I think, is very, very important, far more important than the minerals that exist on either side.

I would simply conclude, Mr. Chairman, by observing that when President Carter first came into office, the first foreign head of state whom he invited to Washington was President José Lopez Portillo. The two Presidents of our two countries have met more often than any previous United States and Mexican Presidents in that period of time.

The Presidents established something called the consultative mechanism, which is an umbrella governmental group that allows governmental representatives from various agencies within the Mexican Government, and within the U.S. Government, to meet on a regular basis. They meet in areas like energy, trade, finance, industry, legal affairs, border cooperation, and tourism.

This consultative mechanism, as was indicated by Presidents Carter and Lopez Portillo, was to be the basis of our relationship and of our negotiations in the time ahead. It was because President Carter wished to give a high priority—and also a unity—to policy toward Mexico that the position of U.S. Coordinator for Mexican Affairs was established, a position which I am the first to hold.

The position is not simply a position within the State Department. It is a position that is intended to coordinate all areas of U.S. Government policy, through the consultative mechanism in particular, but in all areas concerning Mexico. That is what I have been at work on.

While the news that reaches the papers is not always good, because there is not always complete agreement between the two countries, I believe that the basic substance of the relationship between our two countries is good, and the outlook positive.

I appreciate the interest of your subcommittee in United States-Mexican relations, and I appreciate your invitation to be here with you today. Thank you.

[Ambassador Krueger's prepared statement follows:]

PREPARED STATEMENT OF AMBASSADOR AT LARGE ROBERT KRUEGER, U.S.
COORDINATOR FOR MEXICAN AFFAIRS

Since Mexico and the United States are intricately entwined by a host of linkages and interrelationships, the domestic problems of one country often have considerable impact on the other. Mexico presents a particular challenge to the U.S. Government, because the issues have both foreign and domestic implications and a plethora of domestic interest groups and government agencies are affected.

President Carter marked the importance he attaches to U.S.-Mexican relations by inviting the Mexican President to make the first State visit under the Carter Administration. During this February 1977 visit the two presidents agreed to establish the U.S.-Mexico Consultative Mechanism to better manage the relationship through cooperation and consultation on a broad range of issues. At their meeting in February 1979 the two presidents directed that the Consultative Mechanism be reorganized and strengthened and that it focus on: energy, trade, finance, industry, tourism, migration, border cooperation and law enforcement. The President subsequently named me to be U.S. coordinator for Mexican Affairs and Executive Director of the Consultative Mechanism. Under the chairmanship of the Secretary of State, I direct U.S. participation in the Consultative Mechanism and work closely with our new

Ambassador to Mexico, Dr. Julian Nava.

Several sharp differences over aspects of the Iranian crisis gave rise at the end of 1979 to a public perception of deterioration in U.S.-Mexican relations. In fact, relations with Mexico under the reorganized Consultative Mechanism have been quite positive in recent months with the natural gas agreement and a third successful Presidential visit last September, and in 1980 with a natural disasters agreement, a major sale to Mexico of U.S. agricultural commodities formerly earmarked for the Soviet Union, agreement of a joint marine pollution contingency plan and the final capping of the runaway Ixtoc I oil well, progress on border sanitation agreements, progress on a revised treaty on the return of stolen vehicles and aircraft, expanded air routes and increased tourism as a result of a new, broad civil aviation agreement, and continued close cooperation on narcotics control.

The main issues in our relationship include trade, energy, migration, and border affairs. I would like to describe the current status of those issues and also say something about tourism, narcotics cooperation, the problem of stolen vehicles and Mexico's more active role in multilateral and regional questions, particularly in Central America.

Trade

Trade with Mexico, our fifth trading partner, is assuming increasing economic and political significance. According to Department of Commerce statistics, total trade in 1979 reached \$18.7 billion--\$9.8 billion U.S. exports and \$8.8 billion U.S. imports--an increase of 46% over 1978. Since the U.S. is Mexico's largest source of imports and its major export market, our trade policy actions have a heavy impact on the Mexican economy.

Our trade relations with Mexico are in a state of uncertainty, resulting from the Mexican recent decision not to join the General Agreement on Tariffs and Trade. This decision nullified the agreement on tariff concessions which we concluded with Mexico last December under the Multilateral Trade Negotiations after five years of tough negotiations. Mexico's non-adherence to the Code of Conduct on subsidies/countervailing duties will encourage CVD petitions by U.S. industry. The bilateralization of our trade with Mexico will doubtless require protracted trade negotiations.

We look forward to continued expansion in trade with Mexico but it appears that the growth may be slower than what might have been expected with GATT adherence and the MTN agreement. While we would have preferred to deal with our important trade with Mexico in a multilateral and technical context through the GATT, we await Mexican proposals for bilateral trade negotiations with much interest.

Energy

Mexico's large oil and gas reserves--50 billion barrels proven and 200 billion potential--are its most important and readily exploitable resource. Given our geographic proximity the U.S. is the logical market for Mexican hydrocarbons and last year we imported over 80 percent of Mexico's oil exports. However, in response to domestic concerns that Mexico is becoming overly dependent on the U.S. the Mexican government is seeking to diversify its energy customers. While our percentage will decrease in the future, planned Mexican production increases should result in somewhat greater oil imports to the U.S. this year and next (up to 730,000 pbd.).

In September 1979 the U.S. and Mexico finally reached agreement on a natural gas deal for which negotiations began in 1977. Shipments amounting to 300 million cubic feet per day began in early 1980.

We understand Mexico's objectives of using its energy resources at a rate which will promote that country's economic and social development. We want to be a good customer,

paying a fair price for the oil and gas Mexico chooses to export. We understand the economic and political reasons for diversification and believe that new, expanded contacts can contribute to the recognition of Mexico's place in the world community and improve its relationships with the U.S.

Migration

The complex issue of Mexican migration is being dealt with by the Select Commission on Immigration and Refugee Policy--consisting of representatives from the Administration, Congress and the public; by the two governments through the Consultative Mechanism; and by the Administration as a whole in protecting the human and civil rights of undocumented workers. All of these efforts are complimentary.

Instead of enacting the Administration's comprehensive 1977 legislative proposals, Congress established the Select Commission on Immigration and Refugee Policy which is scheduled to report its findings, along with policy, administrative and legislative proposals early in 1981.

In February 1979 President Carter and Lopez Portillo agreed for the first time to cooperate closely to find a realistic and long-term solution, one which would respect the dignity and human rights of undocumented workers and which would take account of the many social, economic and development issues involved.

In both the February and September 1979 presidential meetings, Lopez Portillo expressed Mexican concerns over mistreatment of Mexican undocumented aliens in the U.S. President Carter has emphasized his responsibility to enforce our nation's immigration laws but committed himself to safeguard the constitutionally-guaranteed rights of all persons in our territory. The Administration has taken a number of steps to guard against abuse of these rights.

The Migration Working Group of the Consultative Mechanism has agreed on the following work program, now underway: joint training sessions for U.S. and Mexican immigration officials, exchange of information and research including joint review of methodology of a major Mexican migration study, cooperation against undocumented alien smugglers, and improving channels of communication to ensure high human rights standards in the treatment of undocumented workers.

Border Relations

The uproar over the so-called "tortilla curtain," which was more a symbolic than substantive issue, has largely abated. According to the scaled down plan, work on short stretches of existing and replacement fences began in June 1979 and is expected to be completed this year. There continue to be periodic disturbances, especially in the Tijuana-San Ysidro sector, but cooperation between local authorities

is generally good.

Opening new border stations and bridges, and in particular, environmental issues have predominated in recent bilateral meetings on border questions. Significant progress was made on these questions at a January 1980 meeting of the Border Working Group in Mexico City.

The two governments propose to open an urgently needed border inspection station at Otay Mesa to relieve existing facilities for San Diego-Tijuana eight miles to the west, and to serve new development in the area.

We have concluded an agreement with the Mexicans on disaster assistance in border areas. Progress is being made on agreements for the return of stolen vehicles and aircraft and procedures for confrontation of witnesses in Mexico whose testimony may be admitted in U.S. criminal trials.

The International Boundary and Water Commission, a model of border cooperation, has been assigned responsibility for planning and monitoring works to correct five problem areas where Mexican sanitation wastes are polluting waters entering the United States. The Commission expects to reach agreement for two areas this year, and meanwhile the Mexican Government has taken interim steps at each location to reduce hazards while permanent solutions are being devised and agreed upon. The Commission is also studying means to

avert controversy over competing exploitation of border underground water basins, and over utilization of three streams crossing the Arizona boundary and not yet allocated between the two countries.

U.S. and Mexican environmental experts recently met in El Paso, Texas under the two-year old cooperative agreement concluded between our Environmental Protection Agency and its Mexican counterpart. Important understandings were reached on subjects such as air pollution and the transportation and disposal of hazardous wastes.

The Border Working Group held its third plenary session three weeks ago. The two sides reviewed the full range of bilateral cooperation programs along the border which also include activities by the Department of Health and Human Services and its counterpart Mexican ministry in cooperation with the Pan American Health Organization and the Border Health Association, educational and cultural exchanges, and exchanges of information and experiences by the U.S. and Mexican agencies concerned with housing and urban development. A new procedure relating to applications, studies and approval for border crossings and international bridges was discussed.

Near-agreement has now been reached on a joint marine pollution contingency plan, which would provide for coordinated responses by our two governments for future in-

cidents, such as last year's Ixtoc I oil well blow out.

Also at the June 1980 meeting, the Coordinator for the Mexican Commission for the Development of the Border Zones and the U.S. Federal Co-Chairman of the Southwest Border Regional Commission explained to other Working Group members the functions, goals and objectives of their respective economic development plans.

Tourism

Tourism is an important issue in U.S.-Mexican relations not only because tourist money is important to both countries, but because the experience of tourists influences mutual perceptions. Revenues from tourism have provided almost 40 percent of Mexico's total export earnings with U.S. visitors accounting for between 60 and 70 percent of that amount. While tourist income is only five percent of U.S. export earnings, approximately 25 percent of U.S. tourism earnings come from Mexican tourists, whose expenditures are especially important in U.S. ski resort and border areas, as well as in areas with growing Hispanic populations.

The Tourism Working Group under the U.S.-Mexico Consultative Mechanism met in San Francisco in June 1979 when it:

- established working parties on statistics,
training, development of tourism to third countries,

and tourism facilitation;

- recommended the creation of a new sub-group within the U.S.-Mexico Quadripartite Commission to deal with border tourism;
- requested that airlines consider a new pricing regime for flights between the two countries;
- and called for the development by 1982 of the Otay Mesa border crossing.

The 1978 air transport agreement with Mexico has led to an increase in service with the U.S. and to some lowering of fares. The main problem in implementing the agreement has been the Mexican fear of low U.S. fares and U.S. domination of the routes.

Other tourism controversies include the balance of trade in tourism and the U.S. Tax Reform Act of 1976. Although the U.S. insists the balance of trade in tourism favors Mexico, the Mexicans disagree, but without statistics to support their claims. Mexicans resent the provision of the 1976 U.S. Tax Reform Act restricting U.S. travelers to two tax deductible overseas conferences each year. The Mexicans, along with the Canadians, have pushed for an exception for their countries or for the Western Hemisphere.

Narcotics Control

The U.S.-Mexico cooperative anti-narcotics program has stressed two approaches. The most extensive has been the curtailing

of Mexican heroin entering the United States. We estimate that some 1½ tons of Mexican heroin entered the U.S. last year.

The cooperative U.S.-Mexico law enforcement program is conducted primarily through exchange of intelligence and joint investigations by the Drug Enforcement Administration and its Mexican counterparts. U.S. officials do not participate in actual arrests or other direct Mexican law enforcement activities.

This joint Mexican-U.S. cooperation has resulted in the immobilization of many major international narcotics traffickers. In 1979, Mexican police seized 5 heroin laboratories and 102 kilograms of heroin and opium. These lab and drug seizures--only 25% of comparable seizures the previous year--demonstrate the diminished supply of Mexican narcotics.

A major element of U.S.-Mexico law enforcement cooperation has been the Janus Program. Initiated in 1976 by the two governments, Janus is a system whereby violators in one country can be prosecuted on the basis of court evidence from the other. To date, at the request of the U.S. Department of Justice, the Government of Mexico has pursued 68 Janus cases. As a result, 36 traffickers are presently imprisoned, with 17 fugitive warrants outstanding. The remaining cases are currently under Mexican judicial process.

In 1978/9, heroin from Mexico is estimated by DEA to have comprised less than 45% the total entering the United States, compared to 90% in 1975. Present indications point to a continuation of this favorable trend.

Stolen Vehicles

An estimated 10-20,000 stolen U.S. vehicles (automobiles, aircraft, etc.) are transported to Mexico each year. It is likely that many of them enter the Mexican domestic market in violation of tax and duty requirements. In 1978, 120 vehicles were recovered from Mexico through the 1936 Convention governing their return and through administrative releases authorized by Attorney General Flores. Continued and expanded cooperative efforts between the U.S. and Mexico are required if the flow of stolen vehicles is to be reduced. To this end, the Legal Affairs Working Group has been developing a new treaty governing the return of stolen vehicles and aircraft. Both sides are now very close to an agreed text. We have been assured that Mexican approval can be expected momentarily.

Multilateral and Regional Issues - Central America

On multilateral and regional issues, Mexico and the United States sometimes take different positions. Mexico's election to the UN Security Council last year amounts to

recognition of Mexico's increasing importance on the world scene. Again, we differ on some international issues in the UN but by and large enjoy a good deal of cooperation in areas such as UN reform and disarmament. Mexico traditionally has felt constrained from playing a predominant role in the Caribbean and Central America, due to her policy of non-intervention. This is changing somewhat, particularly in Central America where Mexico broke relations with Somoza before he was overthrown by the Sandinistas. In general, Mexico shares with the United States the goal of a stable, healthy, non-extremist Central America. Through the OAS and the UN, Mexico has generally pursued a policy similar to ours toward Nicaragua. The Mexican Government has maintained a "wait and see" attitude toward El Salvador, preferring not to grant the same degree of support to the Revolutionary Junta as we have.

Mr. YATRON. Thank you very much, Ambassador Krueger, for an excellent, well-balanced statement.

Mr. Ambassador, would you outline for the subcommittee the function of your office? It is my understanding that your task is basically here in the United States.

Ambassador KRUEGER. Mr. Chairman, that is correct. The position of coordinator was established, on the one hand, to take direct responsibility for the consultative mechanism by serving as executive director of the consultative mechanism, and secondly to seek to coordinate all areas of the U.S. Government, all agencies, in united policy toward Mexico.

For example, right now Ambassador Reuben Askew and I have been given responsibility by the President for putting together trade negotiations with Mexico. Earlier I was involved in natural gas negotiations with Mexico.

As we will all remember with a certain amount of pain, several years ago, U.S. companies in Mexico sought to reach a natural gas agreement, and the Mexican Government felt that one was reached. The United States Government turned it down. There was some pain involved in reestablishing negotiations, although they were reestablished, and we did then reach a natural gas agreement.

I would like to feel that the multi-agency participation, including the participation of my own office in the negotiations, was helpful in achieving that accord, which was important both in energy terms, and as a symbol of agreement between our two countries.

One can also recall the instance of the Tortilla Curtain, as it was called, when construction was about to begin on a new fence between the two countries. There was, I think it is fair to say, no coordinated U.S. policy with regard to that fence.

It is the desire of the President to have an individual in Washington responsible for U.S. policy toward Mexico, prepared to work with all departments of our Government. I see the role of the Ambassador-at-Large and U.S. Coordinator as being, in a sense, the person who is at the Washington end of the Washington/Mexico City bridge.

This is not to say that we do not need someone in Mexico City. We clearly do. Our new Ambassador there has all of the powers that would normally be given to any ambassador resident in the country, and he will, I believe, fulfill that position with great distinction. But the two roles are separate roles.

Mr. YATRON. Who handles the negotiations for United States policy in Mexico?

Ambassador KRUEGER. It depends, Mr. Chairman, on the format for those negotiations. As the normal representative for the President of the United States in Mexico, the Ambassador resident in Mexico would carry communications from our Government.

On the other hand, as I indicated earlier, I was assigned along with Reuben Askew the responsibility for putting together trade negotiations with Mexico. When the consultative mechanism group meets, I meet with some of those consultative mechanism groups involved in those negotiations, whether they are in Washington or in Mexico.

Mr. YATRON. Was your post established by executive order, or a memorandum?

Ambassador KRUEGER. It was established by a memorandum from the President, and I believe that I have a copy here, if you would like to have one. I would be happy to leave it and make it a part of the record.

Mr. YATRON. Thank you.

[The memorandum referred to follows:]

THE WHITE HOUSE,
Washington, April 26, 1979.

Memorandum for: The Secretary of State; The Secretary of the Treasury; The Secretary of Defense; The Attorney General; The Secretary of the Interior; The Secretary of Agriculture; The Secretary of Commerce; The Secretary of Labor; The Secretary of Health, Education, and Welfare; The Secretary of Energy; The Administrator of the Agency for International Development; The Director of the Office of Management and Budget; The Assistant to the President for National Security Affairs; The Assistant to the President for Domestic Affairs and Policy; The Director of the Office of Science and Technology Policy; and The Special Representative for Trade Negotiations.

From: The President.

Subject: Coordination of U.S. policy toward Mexico.

In view of the increasing domestic and international importance of our relations with Mexico, and of the intensity and complexity of those relations in the years ahead, I have decided to take steps to improve our ability to address effectively all issues which affect U.S. relations with Mexico.

To ensure that all U.S. policies toward Mexico, and all actions directly or indirectly affecting Mexico, promote basic U.S. national interests and are consistent with our overall policy toward Mexico, I ask:

that each of you accord a high priority to any and all matters within your jurisdiction affecting Mexico, consciously giving good relations with Mexico a continuing high priority in your thinking and planning; and

that all proposed actions, which have an effect on Mexico, be carefully coordinated so as to be consistent with overall U.S. policy toward Mexico, and based on the fullest possible prior consultation with the Government of Mexico.

To achieve this fundamental Administration-wide objective of establishing a sound, long-term relationship with Mexico, I hereby direct the following measures:

1. U.S. Coordinator for Mexican Affairs

I am nominating Robert Krueger as Ambassador-at-Large and United States Coordinator for Mexican Affairs to assist me and the Secretary of State in the development of effective national policies toward Mexico and in the coordination and implementation of such policies. Mr. Krueger will also serve as Chairman of a new Senior Interagency Group on U.S. policy toward Mexico and as U.S. Executive Director for the United States-Mexico Consultative Mechanism.

As U.S. Coordinator, he will be responsible for ensuring that U.S. policies toward Mexico, and all other U.S. activities which affect Mexico, are developed and conducted in a coherent, flexible manner and are fully consistent with our overall policy objectives towards Mexico. More specifically, Mr. Krueger will be responsible, to the fullest extent permitted by law, for:

Development and formulation of U.S. policy toward Mexico;

Review and coordination of any and all U.S. Government programs and activities that affect United States-Mexican relations, whether directly or indirectly;

Management of U.S. participation in the working groups established under the United States-Mexico Consultative Mechanism, ensuring also that any existing overlapping entities are integrated into the process or altered as may be necessary to avoid duplication;

Advice to myself, the Secretary of State and other Cabinet officers and Agency Heads and the U.S. Ambassador to Mexico on the effects of contemplated actions by any agency of the Government on our relations with Mexico; and,

Initiation of reports and recommendations for appropriate courses of action, including periodic reports to me on major developments and issues.

The Coordinator will be located in the Department of State. The Director, Office of Mexican Affairs, Department of State, will serve as Deputy Coordinator. The Coordinator's staff may include personnel assigned on non-reimbursable details from other agencies and departments.

2. Senior Interagency Group on U.S. Policy Toward Mexico

I am establishing a Senior Interagency Group on U.S. Policy towards Mexico to be chaired by the U.S. Coordinator, to assist in the development, review and coordination of U.S. policies toward Mexico and other U.S. activities or policies which might affect U.S.-Mexican relations. Committee members will include representatives from: Agriculture, Commerce, Defense, Energy, Interior, Justice, Labor, State, Treasury, Agency for International Development, Office of the Special Representative for Trade Negotiations, National Security Council Domestic Policy Staff, Office of Science and Technology Policy and other agencies as necessary. Representation will be at the level of Assistant Secretary or above. I ask that you designate promptly the senior official who will serve as your representative on the Interagency Group and that you take a personal and continuing interest in these matters.

3. Consultation

The first and most important agreement the President of Mexico and I recently reached was to consult closely in the development and implementation of all policies and activities affecting both countries.

It is my firm intention to meet this commitment. The primary instrument will be the U.S.-Mexico Consultative Mechanism, which President Lopez Portillo and I agreed to strengthen. The Secretary of State will continue to chair the Consultative Mechanism for the United States. The new Coordinator will serve as its Executive Director.

To rationalize our work and assure that all issues are addressed in timely fashion, we have agreed with the Government of Mexico to restructure the Consultative Mechanism, based on eight joint working groups, at the sub-Cabinet level, covering: Trade, Tourism, Migration, Border Cooperation, Law Enforcement, Energy, Finance-Industry-Development, and Multilateral Consultations. The Mixed Commission on Science and Technology will also function under the Consultative Mechanism. Secretary Vance has been in touch with you directly on plans for organizing and implementing these working groups.

* * * * *

I ask that you provide full cooperation and assistance to Secretary Vance and Mr. Krueger in carrying out their responsibilities. The strengthening of policy coordination, and of U.S. relation with Mexico, is an important domestic as well as foreign policy priority.

THE WHITE HOUSE,
Washington, D.C., July 11, 1979.

Memorandum for: The Secretary of State; The Secretary of Treasury; The Secretary of Defense; The Attorney General; The Secretary of the Interior; The Secretary of Agriculture; The Secretary of Commerce; The Secretary of Labor; The Secretary of Health, Education, and Welfare; The Secretary of Energy; The Administrator of the Agency for International Development; The Director of the Office of Management and Budget; The Assistant to the President for National Security Affairs; The Assistant to the President for Domestic Affairs and Policy; The Director of the Office of Science and Technology Policy; and The Special Representative for Trade Negotiations.
Subject: Coordination of U.S. policy toward Mexico.

On Friday, June 22, 1979, the President nominated Robert Krueger as Ambassador-at-Large and U.S. Coordinator for Mexican Affairs. The attached memo from the President places Mr. Krueger's nomination in the context of overall U.S. policy objectives toward Mexico and describes the role of the Coordinator in the formulation and implementation of policy.

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Ambassador KRUEGER. The memorandum, Mr. Chairman, is a memorandum of April 26, 1979, from the President to the Cabinet and certain other high executive branch officials.

Mr. YATRON. On the failure of the Mexican Government to sign the GATT agreement, would you agree that it is good politics for the Mexicans to distance themselves from the United States, while it is good politics in the United States to have good relations with Mexico?

Ambassador KRUEGER. Mr. Chairman, that is one of the problems that we constantly face in United States/Mexican relations and that is that I believe for most U.S. public officials it is inherently a positive thing to demonstrate the efforts at good relations with Mexico, but because of the history of the relations between our two countries, it is sometimes important for certain Mexican public officials to show a certain amount of distance from the U.S.A., not because they wish to have bad relations with the U.S.A., but simply because they wish to be recognized as they deserve to be: as an independent, proud, strong nation, capable of making its own decisions.

There are some people, I would say, in Mexico who particularly feel that not everyone wishes to see closer relations with the U.S.A. I believe basically the people in the country do, and I believe basically the officials of the Mexican Government want to have good relations with the U.S.A., but they want to make certain that their own independence is recognized, and that I think we should understand.

Mr. YATRON. Would you comment on the effect of the Mexicans failing to sign the agreement?

Ambassador KRUEGER. Mr. Chairman, we, in the U.S. Government, felt that it would make trade negotiations and trade between the two countries easier if Mexico were to enter GATT.

GATT has been the general framework under which the United States has conducted its international trade for a long period of time, and those countries who enter GATT by entering agree to engage in progressive tariff reductions.

The President of Mexico indicated, when he announced his decision not to enter GATT at this time, as he put it, that the protocol for entering GATT offered Mexico extremely favorable terms. He did not feel that they were offered unfavorable concessions by the United States, their principal trading partner. But there was opposition inside Mexico toward entering GATT.

On the one hand, there was opposition among the certain groups that do not wish to see closer relations with the United States, and they felt that to enter GATT would tie Mexico too much to the United States. We did not feel it would. On the other hand, there was opposition from certain business and labor groups who felt that the Mexican economy, being one-twentieth the size of the U.S. economy overall, might be swamped by the United States. Clearly, for understandable reasons, they did not want to see that.

We believe that trade would have gone more easily had Mexico decided to enter GATT. The United States, let me emphasize, in no way sought to bring pressure on Mexico. We don't have the capacity to bring pressure, really, on Mexico. We recognize Mexico to be an independent nation.

While some would occasionally like to suppose that the U.S. Government somehow is capable of bringing broad pressure, or is engaged in trying to bring pressure on other governments, in my experience we really brought none. We let Mexico know that we felt that it would make our trade easier.

The two countries worked for a long period of time to try to work out the accord, but in the end, Mexico decided that, given the difference in their technological position at this time vis-a-vis the United States, it would not be in their interest to enter GATT at this time.

Mr. YATRON. Does the nonadherence of Mexico to the Code of Conduct on Subsidies' countervailing duties present the greatest danger to our trade relations with Mexico?

Ambassador KRUEGER. Yes, it does, Mr. Chairman, because had Mexico entered GATT, it would have been far more difficult for the countervailing duties to have been imposed as a result of a petition by any manufacturer in this country who felt that he had a complaint against Mexico.

Now, without Mexico's being a member of GATT, Mexico does not have the protection it otherwise would have, and countervailing duties can more easily be imposed and perhaps will be more readily imposed.

Mr. YATRON. Also in the area of trade, would you update the subcommittee on the controversial subject of winter vegetables?

Ambassador KRUEGER. There are perennials, Mr. Chairman, in United States/Mexican relations, and it seems that the question of winter vegetables has been a sort of perennial question.

Initially, what happened was that certain U.S. growers, particularly tomato growers, but also growers of winter vegetables in general, primarily situated in Florida, brought a complaint against Mexican growers, indicating that in their judgment Mexican tomatoes and other vegetables were being sold "at less than fair value" in the United States.

That complaint was initially brought to the Department of the Treasury last year. Treasury found that they were not selling at prices that were too low—in other words, at unfair prices. The preliminary decision was then passed on to Commerce this year. Commerce essentially rendered the same decision.

Tomatoes and winter vegetables represent one of the largest exports Mexico has to this country. This trade is in excess of \$200 million a year. Winter vegetables represent a very labor-intensive product, which is very important to Mexico, which has combined unemployment and underemployment of about 45 percent.

This was an immensely important market for Mexico. Indeed, most of these tomatoes and winter vegetables were grown simply for the U.S. market, many of them not grown at all to be sold inside Mexico.

The U.S. Government reached a decision that these were not being sold at unfair prices. That decision is now going to be challenged, I believe, in our courts by the growers who initially brought the complaint. At this time, the complaint was turned down by the U.S. Government, and so it has been taken to the courts.

I might mention, Mr. Chairman, that we are not only agricultural importers, but also very large agricultural exporters to Mexico. The United States, I think, was very fortunate that when we placed the embargo on the sale of grain to the Soviet Union, Mexico in turn bought some 4.8-million metric tons of additional grain, coming to a total amount of 7.1-million metric tons of grain, wheat, sorghum, corn, soy beans, and others. Therefore, Mexico represents a very, very large market for our agricultural products, just as we represent a very large market for theirs.

Indeed, when Secretary Bergland was present for the signing of this accord for Mexico to purchase the large amounts of grain, he mentioned at that time in a public statement that he recognized the need

of Mexico to sell its agricultural products to us, just as we need to sell our agricultural products to them.

We look forward to future agricultural sales to them. It was because of the very important agricultural relations between our two countries, Mr. Chairman, that when I met with President José Lopez Portillo about 2 months ago, I asked him about establishing a working group on agriculture under the consultative mechanism.

He concurred, and we are now in the process of establishing an agricultural working group so that we will be able to deal with that question, because we have such extraordinary agricultural technology and expertise, so that they can learn from us and we, in turn, can learn from them. There are certain products in which Mexico, I believe, has the lead on us in agriculture, and I think that the two countries can learn from one another.

Mr. YATRON. So progress is being made.

Ambassador KRUEGER. I believe so.

Mr. YATRON. Thank you, Mr. Ambassador.

Mr. Derwinski.

Mr. DERWINSKI. Thank you, Mr. Chairman.

Mr. Ambassador, I appreciate your statement. I have gone through it the best I can, and I would just like to skip around, if you would not mind.

First of all, if I understand correctly, in answer to the chairman's question, you stated that this was the only situation we have where you have a unique role in addition to the role played by our Ambassador?

This is the only position of its kind in State or in our Government?

Ambassador KRUEGER. I did not say that, but I believe that is true.

Mr. DERWINSKI. Based on your experience, would you recommend that we have a similar structure, let us say, dealing with Canada, where all your statistics on trade and mutual interest might just as appropriately apply?

Ambassador KRUEGER. It might very well be appropriate, Mr. Congressman.

Mr. DERWINSKI. If I may just check one fact here. You were confirmed by the Senate in late October, as I recall.

Ambassador KRUEGER. I believe it was late October. I was sworn in in November.

Mr. DERWINSKI. Since then, according to your recollection, how much time have you spent in Washington, in Mexico, or in Texas, whichever the case might be?

Ambassador KRUEGER. The majority of the time I have spent in Washington. I have gone to Mexico, I would say, roughly every 6 weeks or something like that, but for only short periods of time.

Mr. DERWINSKI. How many meetings have you had with the Secretaries of State or the Presidents since you have had this assignment?

Ambassador KRUEGER. With the Secretary of Foreign—

Mr. DERWINSKI. With our Secretary of State.

Ambassador KRUEGER. I am not sure, half a dozen, or 8, perhaps, 10. I am not sure. Those would be private meetings in addition to the twice-weekly meetings that roughly 40 or so of the people at the upper level of the State Department have with the Secretary.

Mr. DERWINSKI. Going over the problem areas that you have encountered, is there an outstanding problem between the United States and Mexico at the present time?

Ambassador KRUEGER. In my own judgment, Mr. Derwinski, the sort of overarching problem in our relationship is the problem that relates to the movement of undocumented workers across the border. It seems to me that that is the largest overall problem that is likely to be with us in the long term.

It is not a short-term problem. It has been with us in various dimensions for a long period of time. It is not likely to be resolved overnight. But I believe that it must be addressed. The administration sent up legislation in 1977, and the Congress decided, in turn, not to act on that legislation, but to establish a special select committee on immigration policy to study the matter, and to make a report next year.

Mr. DERWINSKI. Do you recall what used to be called the Bracero program?

Ambassador KRUEGER. I do.

Mr. DERWINSKI. In your judgment, would a restructuring of a program similar to that alleviate this migration and border pressure?

Ambassador KRUEGER. Mr. Derwinski, I am happy to respond to your question, and there comes a point where I would wish to separate a personal view from official administration policy. If I might make my personal observation, and this would be an observation different from the view that I held when I was a Member of the House.

It seems to me that it is impossible for any country over a long period of time to have very large numbers of people present in the country without proper documentation, without the country knowing of their existence. I don't know of a house, or a home that can open at any time to everyone. I don't think that a country can either over the long haul. Thus, I think that we will have to work out a system whereby those people who are in this country are known to be in this country.

The old "Bracero" program had problems because, among other things, the workers themselves did not receive full protection in this country. They were subject to exploitation, to misuse. There was a sense that they had no leverage in terms of dealing with the employers in many cases. So the program was dropped by the Congress, I believe, in 1965.

If there is to be any new program whereby some people would come into this country to work on a temporary basis, it is my personal judgment that such a program could exist only if we also had other aspects of the program. Those aspects would have to include some sort of guarantee that our Mexican-Americans would not wind up suffering discrimination.

For example, if someone named Derwinski or Krueger went to seek employment, and did not have to show that he was a U.S. citizen, but someone named Gutierrez or Gonzalez did, I would find that unacceptable.

Thus, I think that we will have to have some system whereby if there is to be any agreement for certain people to work here on a temporary basis, and if there would have to be some system involving any sort of indication of national identity, it must be required of all people, rather than only of some people.

I think that we cannot have a program that would have temporary employees in this country unless that program also included some sort of punishment for employers who hired people who are here illegally. I say that because otherwise why should someone go about the legal process of getting proper documents for working here, if someone else can come here and work without them? That situation would exist unless the employer were penalized for hiring someone who is here illegally.

Mr. DERWINSKI. How could he be penalized, if he was discovered to have illegals, and you had imposed the protection you earlier discussed for Texans of Mexican heritage?

If you did not permit the employer to scrutinize the identity of the individual, how could that employer be protected from the problem of hiring illegals?

Ambassador KRUEGER. I think that what you would have to have is some sort of indication of U.S. citizenship that would be required of all people. In other words, at the initial point of employment, anyone seeking employment, whether he is named Derwinski or Gonzalez, would have to show adequate documents indicating that he was a U.S. citizen. If the employer had received such a document, then he would be protected. If he had not required such documents, he could be fined.

Mr. DERWINSKI. Have you had a chance to study the problems in California and Arizona, as well as those in Texas, the border crossing and illegal migration?

Ambassador KRUEGER. Yes Mr. Derwinski. I went up in a border patrol helicopter at San Ysidro, outside of San Diego, Calif., and the night on which I went up there were 20 border patrol guards who on that evening captured 497 undocumented workers, just about 25 for each one, and that was considered a low night because the river was high.

They were captured, and many of them were taken to the official crossing point, and then they could come down the fence, 30 yards down the line, and they could hope to sneak back in again, and perhaps not be apprehended. It is one of the few situations that I would ever describe as a kind of theater of the absurd.

Mr. DERWINSKI. Mr. Chairman, I have some other questions. I appreciate your courtesy. I will turn it back to you at this point.

Mr. YATRON. Thank you, Mr. Derwinski.

Mr. Ambassador, would you comment on the report today in the Washington Post that Mexico has bought 400,000 metric tons of raw sugar from Cuba for the first time, and further sales could be boosted in barter trade?

Ambassador KRUEGER. Mr. Chairman, I just drove in to Washington, and I have not read my morning Post. But I think if the concern is Mexican relations with Cuba, I can comment quite briefly on those.

Mexico was, I believe, the only country in this hemisphere that never engaged in embargo of Cuba after Castro initially came to power. Mexico very much values its relations with every country in this hemisphere, and has always continued to have relations with Cuba, even when other countries have not had them.

Therefore, it comes to me as no particular surprise that they would work out an arrangement for the purchase of products from Cuba,

because they have had contact with Cuba for some period of time, and the President of Mexico will very shortly be visiting Castro in Cuba.

Mr. YATRON. Much was said about the halting of the proposed gas contract by former Secretary of Energy Schlesinger. What would be the price today if that contract had been approved?

Ambassador KRUEGER. Mr. Chairman, I am delighted that you asked that question because I must say that while I certainly had many differences with Secretary Schlesinger when I was in the Congress, in this instance I believe that he was exactly right in not going along with the contract itself, although perhaps the manner in which it was handled was not the best for our bilateral relations.

If that initial contract had been approved in 1977, the starting price at that time for gas was \$2.60, but there was an escalator on the price of natural gas which kept the natural gas purchased from Mexico in price conformance with the Btu equivalent price of No. 2 fuel oil in the New York harbor, and that would make it today about \$6 per thousand cubic feet, whereas the gas that we are actually receiving from Mexico is \$4.47.

So we are buying gas at a high price, but at a lower price than the Btu equivalent of oil, and at a lower price than we would be paying if the initial deal had gone through. I think that Mr. Schlesinger deserves credit for recognizing that the escalator made it an unattractive contract for U.S. consumers.

Mr. YATRON. Would you also bring the subcommittee up to date on the court actions pending on the Ixtoc oilspill?

Ambassador KRUEGER. Mr. Chairman, the U.S. Government would like, of course, very much to be able to sit down and talk to Mexico about that oilspill. We indicated that in August of last year, and we would still like to have discussions with them.

The Government of the United States has never sued the Government of Mexico. What the U.S. Government has done is to bring an action in court against SEDCO, the U.S.-owned and U.S.-based company, which was contracted to provide the drilling equipment for this well.

The United States took an action in court against SEDCO because SEDCO, in turn, had brought what we might call a preemptive action saying that anyone who wished to bring a complaint against them had to do it by such and such a date. So the U.S. Government, to protect its own rights, brought an action against SEDCO.

SEDCO later impleaded Permargo, the company in Mexico that was contracted to do the drilling itself, and also impleaded PEMEX. So to break it down, we have the U.S. Government. We have Permargo, a privately owned company in Mexico, that was contracted by PEMEX, the state-owned oil company in Mexico, to do drilling of a well, and Permargo, in turn, contracted with SEDCO to provide equipment, and perhaps some drilling advice as well. So you have several different units.

The United States brought an action against SEDCO. SEDCO, then in turn, impleaded Permargo and PEMEX, and by so doing, in effect, SEDCO was saying, as I understand it—and I am not an attorney—that they did not feel fully responsible for whatever happened, and hence any action brought against them would also be an action brought against Permargo and PEMEX if the court found Permargo and PEMEX responsible.

I believe that that is a fair statement.

Mr. YATRON. In what way will new expanded oil and gas contracts contribute to the recognition of Mexico's place in the world?

Ambassador KRUEGER. Oil is the great hope of the Mexican economy for the future. If the United States did not get one drop of oil or gas, we still ought to be absolutely delighted for Mexico as a country, for the people of Mexico as human beings, that they have a possibility for prosperity now that did not lie within their reach before.

The achievements of PEMEX and the Lopez Portillo administration in developing their oil reserves—both achievements have been extraordinary. Just before President Jose Lopez Portillo took office in December of 1976, the proven reserves of oil and natural gas in Mexico were 6 billion barrels. Jorge Diaz Serrano, the head of PEMEX, believed those not to be a full and accurate account, and had new estimates run, which indicated that the reserves were 11 billion barrels.

Those reserves were confirmed by DeGolyer & McNaughton, probably the foremost geological assessment firm, and thus we can say that there were 11 billion barrels of proven reserves in December 1976, and we can compare that with 37 billion barrels in the U.S.A. On March 18, they announced 50 billion barrels of proven oil and gas reserves.

So in 3½ years, depending on which reference you use, they either quadrupled, or they octupled their reserves. This means that Mexico, if it chooses to be, can be one of the world's major energy producers in the years ahead. But Mexico is very concerned to develop its resources in such a way that it will not bring excessive inflation, and in such a way so as not simply to suck their wealth quickly out of the ground, and spend their money for consumption rather than for job-creating industrial infrastructure. So it does represent Mexico's great hope.

Carlo Fuentes, a novelist in Mexico, has referred to oil as the "dark semen in a land of broken hopes and promises." It really connects very, very deeply and psychologically with the very identity of the people. They take great pride in the PEMEX, and great pride in the fact that they are the owners of such vast reserves.

I might observe that the very day on which the oil industry was nationalized, March 18, remains a national holiday today.

Mr. YATRON. On the subject of migration, in our interparliamentary meeting in 1979, the Mexican delegation raised the issue of migrants being held in jail for lengthy periods of time to be able to testify against traffickers.

What steps, if any, have been taken to halt this practice?

Ambassador KRUEGER. Mr. Chairman, there is a very real problem for U.S. law enforcement officials with regard to getting someone to testify against what are called "coyotes," the people who make money by bringing people across the border illegally.

The vast majority of people who are apprehended here are simply taken back to the border. There is not even to my knowledge, a record made of their being here. They are simply taken back to the border and released again.

When certain individuals are found who are in a position to testify against the middleman, the coyote who brings across people and who is paid for it, then of course they hope to have these people in court to testify against such people, and thus they have to hold them here.

We are well aware that our court system is very clogged in this country, and consequently many people are sometimes held. But it is rather difficult to turn these people loose. They cannot be turned loose inside the United States on their own recognizance because they are here in violation of the law. If they are sent back to Mexico, it is not likely that they would come back here to testify against these people.

So it is my understanding that the possibility of using television and of taking taped testimony is now being explored by the Justice Department in order to prevent undue interference to the people who are in this country. But it does pose a problem.

I would like, with your permission, to ask the two people who are sitting at the desk with me if there are some other things that I have perhaps overlooked mentioning.

Fine. This is as much as we know.

Mr. YATRON. Mr. Derwinski.

Mr. DERWINSKI. Thank you, Mr. Chairman.

On the energy front for a moment: What is the Mexican policy on nuclear power?

Ambassador KRUEGER. Mexico would like to expand its nuclear power. They have begun the construction of some nuclear power facilities. They are dependent for their electricity partly on hydroelectric power, and partly on nuclear power. While they have vast oil and gas reserves, they would like to expand their nuclear power.

Mr. DERWINSKI. Any equipment, major purchases they make, have they been making them from the United States for nuclear technology or elsewhere?

Ambassador KRUEGER. Both, Mr. Congressman, the United States and elsewhere.

Mr. DERWINSKI. Have they run into any of the problems such as has surfaced between the United States and India, the United States and Pakistan, and so forth?

Ambassador KRUEGER. I would like to look to my assistant here, because I think that they have had certain problems, but I am not sure whence those problems arose.

Would it be possible for him to testify directly?

STATEMENT OF ROBERT SLAUGHTER, SPECIAL ASSISTANT TO THE AMBASSADOR AT LARGE AND COORDINATOR FOR MEXICAN AFFAIRS

Mr. SLAUGHTER. Thank you, Mr. Derwinski.

The Mexicans have had some questions about some of the requirements on nuclear technology transfer, and nuclear supply transfer from the United States. The first-generation Mexican plant is United States. The Mexicans are, I understand, talking with some other people about nuclear technology: the Swedes, the Canadians, and perhaps the French.

We could supply some more direct information for the record, but generally the Mexican Government has shown an interest in diversifying energy sources in the future beyond just oil and gas, and they do apparently intend to do more in the area of nuclear energy.

Mr. DERWINSKI. If there is any impasse or controversy between our Government and the Mexican Government on transfer and sale of technology, that is what I would be curious about.

Can I jump to tourism for a minute, Mr. Ambassador? This issue, which you note in your statement, of the two tax deductible overseas trips a year, which caused comments over the years by Mexican as well as Canadian officials.

In view of your service in Congress, and now service in the executive branch, do you think a practical legislative cure could be developed?

Ambassador KRUEGER. Mr. Derwinski, I am no longer in the position of providing practical legislative cures unless it has official administrative support. I would not wish to get crossways with the gentleman who appointed me.

I think that it is clearly a matter of importance to Mexico to have as large tourism as they possibly can. We provide the overwhelming source of their tourism. Their tourism has prospered, and I suspect that it would prosper even more if they were able to have more favorable tax treatment. I don't think that there is any doubt about that, and it undoubtedly explains Mexico's interest in it.

It is important, too, to observe that we are recipients of Mexican tourism just as they are recipients of our tourism.

Mr. DERWINSKI. Going back to the protocol, do you have a Mexican counterpart?

Ambassador KRUEGER. There is no precise counterpart on the Mexican side. There is one person in the Foreign Office who is responsible for all of North America. I work with him more frequently than any other individual. But the Mexican Government is designed differently from ours, and he does not have the direct coordinating role with various agencies that my own position includes.

However, I would also observe that for Mexico, roughly 70 percent of their imports come from the United States, and roughly 70 percent of their exports go to the United States. The United States looms very, very large, necessarily, in their total foreign relations and in all their commerce.

Mr. DERWINSKI. In other words, your relations are in a degree unofficial to the extent that the structures of diplomacy do not specifically apply to your official contacts?

Ambassador KRUEGER. No; I did not say that at all. They certainly are not unofficial.

I don't think that there is anything that requires two governments to have precisely identical positions.

For example, when it came time for an agricultural sale, I picked up the phone and called the Secretary of Commerce of Mexico and told him that we were interested in selling grain, and we understood that they had a strong need to buy grain, because the Secretary of Commerce in Mexico is the man charged with the responsibility for the distribution of food in Mexico. I knew Secretary De La Vega, and I picked up the phone and called him.

On other issues, and in other areas, I have spoken with other members of the Mexican Government. I have talked with the Attorney General of Mexico about matters related to drugs. I really talk with the person who seems appropriate at the time.

Mr. DERWINSKI. Getting into foreign policy now, have you had a chance to discuss with any appropriate officials in Mexico their overall Central American viewpoint?

Ambassador KRUEGER. I have engaged, Congressman Derwinski, in some discussions with some high-level Mexican officials on some broad areas with regard to Central America. Mexico, of course, as we need to understand, is going to take its own independent form of policy posture.

They have just, as you know, entered the Security Council for the first time this year. But they want very much to formulate, as they should, their own position with regard to foreign affairs.

With regard to Nicaragua, they recognize the Sandinistas there. With regard to El Salvador, I would say that they have perhaps not shown as strong hopes as our Government has shown about the junta, and the hopes for that junta as a reform group, but they have not opposed it. I would say that they have simply been a bit more aloof, perhaps, than we.

Mr. DERWINSKI. Were you drawn into any of the contacts or negotiations that were involved in the Shah's original move to Mexico, and then the problem of the denial of his reentry?

Ambassador KRUEGER. No; I wasn't.

Mr. DERWINSKI. You were lucky.

Ambassador KRUEGER. I am not sure.

Mr. DERWINSKI. What about their present policy toward Belize?

Ambassador KRUEGER. I don't feel that I could comment. It is a fair question, but I don't feel that I could really comment in detail on their attitudes toward Belize.

[The following statement was supplied for the record:]

MEXICO AND BELIZE

Mexico has a direct interest in the future of Belize, with which it shares a common border. Mexico, which has its own historical claim to part of northern Belize, has followed with great interest Guatemalan/British discussions aimed at resolving the dispute.

In 1977, for the first time, Mexico supported the perennial UN resolution calling for independence with territorial integrity for Belize. At a meeting of five Latin American heads of state in Bogota in the summer of 1977—called primarily to discuss the Panama Canal treaties—President Lopez Portillo signed a communique calling for peaceful resolution of the Belize question on the basis of self-determination and territorial integrity. However, Mexico declined to attend a December 1977 meeting in Kingston to reiterate international support for Belize.

Indications are that Mexico would not press her historical claim to Belize if the issue is resolved on the basis of self-determination and if the outcome is accepted by all parties concerned.

U.S. policy with respect to the Guatemalan-British dispute over Belize has been to encourage a peaceful negotiated settlement acceptable to all interested parties. We have in the past sought to be helpful in that regard. We have not favored any particular formula for settlement.

Mr. DERWINSKI. One other foreign policy question, if I may, Mr. Chairman.

I understand that they have not completely concurred with our Iranian position, or our request for trade relations, although I have a vague recollection that they did withdraw some of their diplomats from Iran. Could you give us any information you have in that general area?

Ambassador KRUEGER. The President of Mexico and other high officials referred to the taking of hostages in Iran as, if I recall correctly, a barbaric and uncivilized act. Mexico did not support our

efforts at an economic embargo against Iran, and gave as the reason the fact that it in principle, was opposed to economic embargoes against other countries, and wished to see whether perhaps something else could not be worked out.

They did, as I recall, lessen the size of their diplomatic mission in Iran—they withdrew their diplomatic mission.

Mr. DERWINSKI. Incidentally, do you have adequate staff at State? Have you been well served by the State infrastructure?

Ambassador KRUEGER. I feel well served, yes, thank you, both by State and by other people in other departments. I have drawn upon the Immigration and Naturalization Services, and HEW, and others as needs require.

Mr. DERWINSKI. Did any of your former staff people transfer over with you?

Ambassador KRUEGER. I had one, a gentleman from Ohio.

Mr. DERWINSKI. What about the overall coordination? You obviously get in touch with the Secretary of Agriculture, and so on. To what degree do you initiate, or to what degree do you respond to their initiatives in dealing with Mexico?

Ambassador KRUEGER. Something of both. Clearly, it is my responsibility to focus as fully as I can on Mexico, and other officials have a lot of other concerns. In the case, for example, of agriculture, I received a message from the Under Secretary for Political Affairs that we should try to see whether we could do something about moving some of the grain that we had, given the embargo against the Soviet Union.

I was on the telephone to the Secretary of Commerce in Mexico later that day, and the next day he was up here. In the interim, I was in touch with Under Secretary Hathaway at the Department of Agriculture to see just what position we would be in in terms of dealing with Mexico.

In trade matters, I have been working particularly with Ambassador Hormats, as we seek to put together a new trade position now that Mexico decided not to enter GATT. In some other instances, I am called by the people in the various departments.

Mr. DERWINSKI. Just before you were appointed, as I recall, former Senator Clark of Iowa was given an important ambassadorial assignment dealing with refugees. He subsequently defected to a different political camp within your party. Do you ever have similar temptations?

Ambassador KRUEGER. No, sir, I haven't. I have had no such temptations. I expect to see President Carter reelected, and I personally believe that he is the best candidate for the position.

I am not looking to get into a discussion of a different viewpoint than your own, but I understand that sometimes there are different views within the Republican Party as well.

Mr. DERWINSKI. I am a firm believer in a certain number of political ambassadorships. I don't subscribe to the theory that all ambassadors have to be State Department trained neutrals. Personally, I have no objection to your position. Your political loyalties are not a necessary prerequisite. I appreciate that.

Ambassador KRUEGER. Thank you for contributing to my sense of macho as well.

Mr. YATRON. Thank you, Mr. Derwinski.

Mr. Ambassador, what are some of the steps that the administration has taken to protect the human rights of undocumented workers?

Ambassador KRUEGER. Mr. Chairman, the President has demonstrated by Executive order his interest in making sure that all agencies of the Government do everything possible to respect the rights of all citizens who are in this country in whatever way.

We have the Select Commission on Migration Policy which is looking at some of these concerns. We also have meetings, under the consulative mechanism, of the migration working group in which these questions are addressed. The Immigration and Naturalization Service and the Border Patrol take very seriously, I believe, the need to have the full rights of any citizen from whatever country be respected by all agencies and branches of the U.S. Government.

So if there are instances of misuse by U.S. officials of undocumented workers, these people are then held accountable for their actions. There have been investigations made by the Justice Department of people in the border patrol who have been accused of misusing undocumented workers while they were in the hands of the border patrol.

Mr. YATRON. What concessions in furnishing oil has Mexico taken in showing its interest in Central America?

Ambassador KRUEGER. Mexico has indicated its readiness to provide oil to certain other nations in Central America. I think I have some notes here on the exact amounts that they have promised.

Mexico has contracted for exports by the year end of 1980 to provide 20,000 barrels a day to Brazil, 7,500 barrels a day to Costa Rica, 7,500 barrels a day to Nicaragua, although I understand that that is not entirely firm. I am told that they have been exploring an agreement with Jamaica to provide roughly 10,000 barrels a day.

These are important quantities for these Central American countries, and would help these countries considerably in meeting their oil needs.

Mr. YATRON. During our recent study mission to Costa Rica, there was much discussion on the need for a new tuna agreement. What progress has been made on that, Mr. Ambassador?

Ambassador KRUEGER. Mr. Chairman, we are fishing in very deep waters, indeed, there. The tuna negotiations have been going on for a very, very long period of time. We thought that we were very near to agreement with Mexico on what to do in the case—how we could work out a future tuna agreement between our countries. We have not yet reached an agreement, and currently the last U.S. counterproposal lies in the hands of Mexico, and we are asking Mexico for response. But these negotiations have been going on for years, and with increasing intensity in recent years.

Mexico dropped out, of the Tropical Tuna Convention and so we have had to deal directly with Mexico on yellowfin tuna, and the negotiations are still underway. We are still very hopeful that we will be able to work it out.

Mexico is very interested in expanding its own tuna fleet, and there have recently been some joint ventures of major U.S. firms and Mexican tuna owners to have jointly owned vessels which would catch yellowfin tuna, and then in turn sell into this country.

Mr. YATRON. With the serious drought in Mexico this year, what is your estimate of future grain sales to them which will benefit the growers who have been hurt by the Soviet grain embargo?

Ambassador KRUEGER. Mr. Chairman, I believe that Mexico will represent a market for our grains for many years to come.

I would observe that it is a hard thing for an American political figure to say that the United States will never be energy independent. Of course, we want to be energy independent, so we don't say that we will always be energy dependent.

By the same token, I think that it would be hard for people inside the Mexican government to say, "We will one day be fully self-sufficient in agriculture." But it seems to me quite frankly and honestly a long time away.

The population is growing fast, and only about 11 percent of Mexican land is arable. Hence it is going to be very difficult, I believe, for Mexico to provide for its very, very large population without importing. I think that there should be no shame involved in any way in the importation of food from another country.

I think the days in which a developed country is fully self-sufficient are probably passed. We are not fully self-sufficient. We have to import some things. Mexico, I believe, will have to import some things.

As you mentioned drought, I would like to point out as a sort of footnote one of the problems that sometimes can exist in United States/Mexican relations in terms of how suspicions can get developed.

There have been a number of press reports in Mexico recently, and some of these press reports claim even to quote one relatively high Mexican government official as saying that the United States by seeding of clouds in the Caribbean was somehow responsible for rain falling in the Caribbean instead of the rain coming inland, and then falling where it would need to be falling over their crops.

I had a meeting with a very high level Mexican government official a couple of months back who brought up to me the problem of the drought that Mexico faced last year because, as he said, "We did not have enough hurricanes. Since we did not get enough hurricanes, we did not get the moisture we needed."

That official did not blame the U.S. Government for this, but there have been press reports that say that we have been seeding the clouds, and therefore the U.S. Government is somehow responsible for Mexico's not having enough food. That is absolutely absurd.

The information I have is that we have not seeded clouds since 1971. All that we have are overflights to observe the hurricanes. But some people so delight in suspicion and in pointing blame at the United States for whatever problems might occur that the U.S. Government gets blamed for the weather in Mexico.

As a former Member, I know that the one thing that the farmers in this country don't want the U.S. Government to get into is defining the weather. I don't think that we are doing it either here or in Mexico.

Mr. YATRON. As you may know, our subcommittee just recently completed testimony on the problem of stolen vehicles and their recovery from Mexico.

In your statement, I believe on page 13, you stated that, "Mexican approval can be expected momentarily on a new treaty text." Would you care to comment on the contents of the proposed treaty?

Ambassador KRUEGER. Mr. Chairman, I will not go through in any detail on the treaty on stolen vehicles, but I would like to mention that it is our understanding that our two countries are very near to coming to agreement on the question of stolen vehicles.

One of the points that has remained at issue between us is a difference between the two sides on the attitude to be taken toward a vehicle that was used in the commission of a felony in Mexico.

Basically, the U.S. Government's position is that if someone had a car stolen inside the United States that was taken into Mexico, whatever that might then have been used for, the U.S. citizen should still be entitled to recover that car. The Mexican Government has wished, if the car is used in the commission of a felony, or a plane is used in the commission of a felony in Mexico, to confiscate the car or the plane.

That has been a pointed issue, and there have been some changes inside the Mexican Government and the officials who would be responsible for signing off on an accord between the two countries. But that is, I believe, the major point at issue between the two Governments.

Mr. YATRON. In our hearings, it was established that Mexican law enforcement officials are allegedly involved in border auto theft activity. What good will the new agreement do if the very officials who are designated to enforce the agreement are, in fact, part of the problem?

Ambassador KRUEGER. Mr. Chairman, I was not present for those hearings. I have no information that Mexican Government officials are involved in any way. I simply would not be able, I am afraid, to answer your question.

Mr. YATRON. It was alleged. This is what we understood.

Could you identify the five problem areas where Mexican sanitation wastes are polluting U.S. waters?

Ambassador KRUEGER. Let me look it up because I do not remember those points offhand, but I shall see what I have written.

I don't have that information on hand, and with your permission I would like to supply it later.

[The material referred to follows:]

The five problem areas where Mexican sanitation wastes are polluting U.S. waters are as follows:

Tijuana, Baja California—California border.
 Mexicali, Baja California—California border.
 Naco, Sonora—Arizona border
 Nogales, Sonora—Arizona border.
 Nuevo Laredo, Tamaulipas—Texas border.

Mr. YATRON. That will be fine.

What are the interim steps the Mexican Government has taken to reduce the hazards of pollution?

Ambassador KRUEGER. Mr. Chairman, the Mexican Government, particularly through the International Boundary and Water Commission, has been working with the U.S. Government, so that when

our Government finds evidence of waste or discharges into streams that affect both countries, they have been fully responsive to us in trying to control any such discharges at the time that we call it to their attention.

Mr. YATRON. Would you provide us with the details of what our respective roles are in joining the marine pollution contingency plan?

Ambassador KRUEGER. Mr. Chairman, one of the very important areas, we believe, for the future of the two countries is to try to work out a joint marine pollution control plan.

We feel that we are near agreement with Mexico on such a plan. This plan would include immediate contact of identified authorities in the other country. The joint response teams for the two countries would be merely called into play. There would be constant consultation between identified persons so that both persons would be able to work together to control and assist one another in controlling any possible marine pollution that might occur from either country.

The agreement that we are looking toward does not include any provision for financial recompense in case of possible damage. It is an effort to stop as early as possible, through cooperation, any damage to the other country.

Mr. YATRON. How does Mexico view Guatemala and the problems that it is experiencing?

Ambassador KRUEGER. I think that I will ask Mr. Briggs to respond to that.

Mr. BRIGGS. I don't know that I can. I will also provide that for the record.

[The material referred to follows:]

MEXICO AND GUATEMALA

While too simplistic a characterization, there is some truth to the observation that Mexico is Guatemala's "colossus of the north." Sharing a common border, Mexico and Guatemala do interact on a range of issues and linkages similar to those along Mexico's northern border. A Mexican-Guatemalan International Boundary and Water Commission manages the border water and boundary issues. Guatemalan workers are drawn into Mexico to work in the coffee and sugar plantations. Some workers come legally but many shuttle back and forth without documents, raising questions of human rights treatment and enforcement similar to those raised between Mexico and the U.S. Contraband flows across the border, generally from Mexico to Guatemala. The two sides are engaged in joint projects to preserve the environment and to combat agricultural pests. Rumors that Guatemala may have its own major oil deposits completes the picture.

Mexico's relations with Guatemala are correct. Mexican President Lopez Portillo received the Guatemalan President, General Fernando Lucas Garcia in September 1979 at Tapachula, near the Guatemalan border. Mexican Foreign Secretary Casteneda visited Guatemala City in January 1980 but a proposed return visit by Lopez Portillo to the Guatemalan capital has been postponed. As Guatemala moves toward greater democratic pluralism further improvement in the relationship will probably occur, though certain differences (e.g. over the future of Belize) may remain.

Mr. YATRON. I have one final question.

What aid, if any, are we providing for people-to-people exchanges such as the sister city program with Mexico?

Ambassador KRUEGER. There are a tremendous number of cities, States, communities, and private groups that have cooperative ventures with comparable groups in Mexico. We have cultural groups. We have sister cities. We have a tremendous number of students from each country studying in the other. I saw a report the other day,

that was a couple of inches thick, of U.S. faculty members preparing to teach in Mexico, if Mexico had an interest.

We have a large number of Mexican students here. We have an intercultural group that the ICA is working with in this country, as the comparable group in Mexico is working with. There are exchanges, for example, of symphonies. The city of Austin, Tex., for example, recently had a symphony from Mexico City visit, and vice versa.

I think that there are many, many enlarged cultural exchanges going on on both sides of the border. That is tremendously important in opening the avenue of understanding, because it is important for people, I think, on both sides of the border to get beyond the stereotypes. The more we can respond to the rich culture of Mexico, both its Spanish heritage and its Indian heritage, and its European and even in part Arabic heritage, the more I think that we stand to gain from that community.

Mr. YATRON. Are there any Federal funds being provided for those programs?

Ambassador KRUEGER. There are some Federal funds, I know, through the ICA that are involved, but I don't think that they are very large.

Mr. YATRON. Mr. Ambassador, I want to thank you very much for appearing here today. I thank your associates, Mr. Slaughter and Mr. Briggs, for accompanying you. We appreciate your giving us the benefit of your expertise.

Ambassador KRUEGER. Mr. Chairman, thank you very much for your interest.

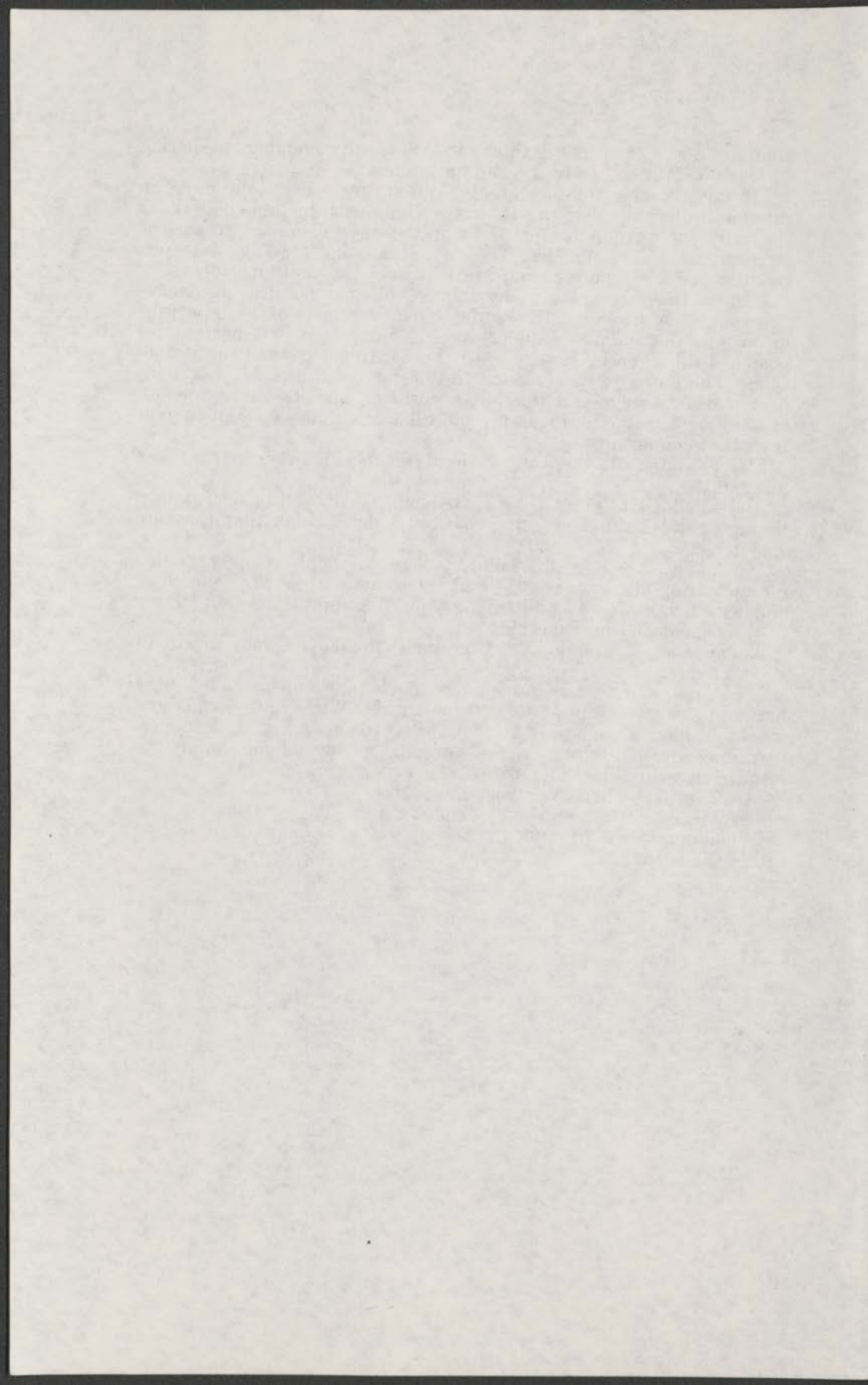
Mr. YATRON. Other members who could not appear today may have questions to submit to you in writing. With your permission, we would like to send you those questions for your written response.

Ambassador KRUEGER. Mr. Chairman, we would be happy to respond in writing for the record.

Mr. YATRON. Thank you very much.

The subcommittee stands adjourned.

[Whereupon, at 3:20 p.m., the subcommittee adjourned, subject to call of the Chair.]



APPENDIX

QUESTIONS SUBMITTED IN WRITING BY REPRESENTATIVE ROBERT J. LAGOMARSINO TO DEPUTY ASSISTANT SECRETARY AHMAD AND RESPONSES THERETO

Fisheries and Boundary Treaties

Question: Does the United States consider the fisheries issue to be the most important issue in our bilateral relations?

Answer: It is certainly one of the most important issues and one that is very much in the public eye at present, especially in Canada. Failure to ratify the treaty would lead to a substantial adverse reaction in Canada.

Question: Where is the fisheries treaty stalled in the Senate?

Answer: In the Senate Foreign Relations Committee.

Question: What do you mean when you state in your testimony there has been substantial opposition in the Senate?

Answer: Opposition to the treaties in the Senate has been sufficient to prevent them from moving forward toward ratification. A group of New England senators has supported amendments which the Canadian Foreign Minister has described as drastic and far-reaching. He described the amendments as wholly unacceptable to the Canadian fishing industry, to the provinces concerned, and to the federal government of Canada.

Question: Are our differences large enough as to require a simple adjustment in the treaty or a complete renegotiation?

Answer: We hope that it will be possible to work out a compromise that would make the treaties acceptable. At the same time, we recognize that differences are substantial and that

the Canadians have stated that they are not willing to accept in full the amendments proposed in the Senate. If the ratification process breaks down, the climate might not be conducive to new negotiations in the near future.

Question: Where do we stand at this time in resolving our differences?

Answer: The Administration has been exploring with interested Senators the possibility of a solution that would be acceptable to the concerned parties.

Question: Secretary of State MacGuigan has stated that on problem of this sort, such as the fisheries issue, "there are likely to be linkages" to other US-Canadian issues. Is this type of linkage out of character in the traditional US-Canadian relationship? What kinds of issues do you expect to be linked in the fisheries agreement? Could the renewal of the grain embargo against the Soviet Union be a matter of linkage?

Answer: We generally try to avoid linkage of unrelated issues in US-Canadian relations. However, if one country feels itself to be seriously injured by an action of the other country, its attitude toward the other country on other issues cannot but be affected. We are not sure whether the issue of linkages will arise in connection with the fisheries agreement. Foreign Minister MacGuigan reportedly said in a television interview June 13, "If this (Canada's action in allowing Canadian fishermen to increase their catch of cod and halibut) does not work, we will have other steps that we have to take." He was asked about the grain embargo in this

connection. In reply, he discussed the grain issue in terms of its merits without specifically linking it to the fisheries issue.

Question: According to press reports, Senators Kennedy and Pell have proposed amendments to the fisheries treaties. What is the nature of their amendments? How does the adoption of such amendments affect the treaty? What are the prospects of ratification during this session of Congress?

Answer: The Kennedy amendments, which are supported by Senator Pell and some other New England senators, provide:

- that the fisheries agreement would terminate three years after coming into force;
- that Canadians could not fish for scallops west of a zigzag line defined in the amendment (this would bar Canadians from fishing in part of the disputed area while leaving Americans free to fish in the entire disputed area);
- that the US would manage the scallop fishery west of the zigzag line; Canada would have no rights to binding arbitration on any objections it might make to the fisheries regime established by the US.

The adoption of such amendments would have a major effect on the treaty. The prospects for ratification of the fisheries agreement during this session of Congress depend on finding an acceptable compromise. We are hopeful one can be found.

Question: In the absence of a fisheries treaty, Mr. MacGuigan has charged that the US is overfishing to establish a claim on a bigger quota in the event of new negotiations. What is

US policy concerning this issue during the ratification process? Is there any evidence that our fleets are overfishing as claimed?

Answer: The United States is not seeking to establish a claim for a bigger quota in the event of new negotiations. Ratification of the fisheries agreement would be the best means to establish an agreed conservation regime and a joint management mechanism. The US position is that the provisions of the fisheries agreement do not enter into force until the agreement is ratified.

We do believe that there is a danger of overfishing in the Georges Bank area. Several recent examples illustrate this problem. In 1978, Canada increased its take of cod, haddock, and lobster in the disputed area to such an extent that its share of Georges Bank - Southern New England cod rose from 18% for the 1967-76 period to 26% in 1978. Its haddock share increased from 15% to 39%, and its share of lobsters in the disputed area rose from 29% in 1976 to 59% in 1977. In June of this year Canada announced that as a result of the delay of the ratification and what Canada perceives to be lack of restraint by US fishermen, it would increase Canada's quota for cod from 5,950 M.T. to 13,500 M.T., for haddock from 6,800 M.T. to 10,500 M.T. and for yellow tailed flounder from zero to 1,500 M.T. At the same time, US fishermen increased the US catch and the US share of the scallop catch on Georges

Bank, from 27% in 1977 to 31% in 1978 and 40% in 1979. These unilateral efforts to increase catch, together with the lack of agreement on total harvest levels, have increased the risk of overfishing, at the expense of the long-term resource, and are encouraging over-investment in the industry. From fishermen to consumer, it is in everyone's best interest to establish a means of enabling fishermen of both countries to fish for guaranteed shares of a jointly agreed allowable catch, set at the level that scientists judge will protect the resources from over-exploitation and consequent future economic hardship.

Question: The other half of the fisheries treaty is the boundary treaty that provides for settlement through the International Court of Justice. What exactly is the boundary dispute about? Has this treaty made progress in the Senate or is it linked to the fisheries treaty? After ratification, are our differences so great concerning boundaries that the treaty will automatically be sent to the International Court of Justice?

Answer: In the mid 1970's, both the United States and Canada extended their fisheries jurisdiction to 200 nautical miles. Because the United States and Canada relied on different boundary principles in extending their jurisdiction, the newly created fishery conservation zones overlapped in the Gulf of Maine. The result was the creation of a disputed area of approximately 5,000 square miles on the Georges Bank, one of the world's richest fishing grounds. Although the United States and Canada allowed reciprocal

fishing in each other's zones under interim agreements in 1977 and part of 1978, this interim system collapsed in June 1978. Canada suspended traditional US fisheries in its undisputed fisheries zone, and the United States took reciprocal action barring Canadian fishing in undisputed US waters. Since that time, fishermen of each country have been excluded from the undisputed zone of the other.

The boundary treaty and the fisheries agreement are interrelated. By their terms, neither treaty can enter into force unless the other does. The Boundary Treaty provides for the submission of the maritime boundary dispute to a Chamber of the World Court on terms set out in the special agreement annexed to the treaty. Under that special agreement, both sides would ask the Court to appoint a Chamber to be composed of five persons, three of whom would be elected by and from the members of the Court, and two of whom would be jointly chosen by the United States and Canada, to draw the line which would divide the continental shelf and fisheries zones on the United States and Canada in the Gulf of Maine area.

Alaska Gas Pipeline

Question: Canada has sought assurances that the entire Alaska Gas Pipeline will be built before it will authorize additional gas exports and construction of "prebuild" facilities.

...Exactly what if any construction has taken place on the Pipeline?

...What is involved in the advanced construction or "prebuild" facilities?

...What kinds of assurances is Canada seeking?

...What is the target date for completion of the Pipeline?

...What kind of long-term gas agreement are we seeking and at what price and volume?

...Is there any possibility of a swap agreement involving Alaska oil for Canadian gas?

Answer: Construction has not yet commenced on any portion of the pipeline. In 1977 the Alaskan Natural Gas Transportation System (ANGTS) was approved by the governments of the US and Canada. At that time completion of the entire system was anticipated by January 1, 1983. Over the past three years, the schedule for the entire ANGTS has been delayed to the extent that completion is not now expected before 1985. In the meantime, plans have been made to construct a portion of the ANGTS from central Alberta into the lower 48 United States over the next two years to bring Canadian export gas to US markets from 1981 until the entire ANGTS is complete in 1985. The present pre-build portion, if approved by the Canadian government, would carry over one billion cubic feet per day of Canadian gas to US markets from 1981 to 1985. In 1985 it would become a part of the

entire system which will move Alaska gas to the US market. On the US side the Canadian pre-build line would connect with two segments, one to serve the western market (California) while the second eastern leg would extend to Chicago.

In order to authorize the pre-build portion of the line, the Canadian government has asked for assurances that the entire system will be completed within a reasonable time. Their law currently requires that no pipeline construction begin in Canada until financing is secured for the whole line. There is opposition in Canada to construction of pipeline facilities for the export of Canadian gas only. Therefore, the Canadians require assurances that, if they authorize the pre-build and short-term export of Canadian gas, the remaining portions of the pipeline will be built. Canada may be willing to modify the requirements of its law if adequate assurances are received from the US. The Canadians have sought assurances on financing of the entire line by the US project sponsors, certain regulatory approvals by the Federal Energy Regulatory Commission and general statements of support from the Administration and the US Congress. The Department of Energy has been working to provide these assurances to the Canadians to the fullest extent possible. A resolution expressing support for the pipeline has just passed both Houses of Congress. If these arrangements prove to be satisfactory, it is hoped that construction of the pre-build phase will begin this summer.

The long-term gas agreement supporting the pre-build of the project calls for deliveries of one billion cubic feet per day over 6 years at a price agreed to under the terms of an exchange of letters of March 24, 1980, between Energy Secretary Duncan and Canadian Minister of Energy, Mines and Resources Lalonde. In this exchange it was agreed that the price would be the uniform border price indicated by the Canadian export pricing formula, provided it meets US regulatory requirements for competitiveness with alternate fuels in affected US markets.

We are not aware of any discussions on the possibility of a swap agreement involving Alaska oil for Canadian gas.



